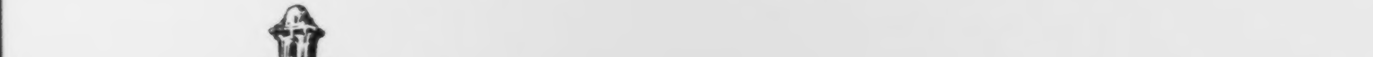
SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly of Saskatchewan



2004 Report
Volume 1

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

Provincial Auditor Saskatchewan

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May 21, 2004

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2004 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

104-05181/

Our 2004 Reports

In 2004, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  http://www.auditor.sk.ca/
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
- write, phone, or fax us at:
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  1500 Chateau Tower
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2003 Financial Statements of CIC Crown Corporations and Related Entities : April 2004*; and
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2003 Calendar Year: April 2004.*

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Introduction

Through our work, my Office helps to improve how government agencies manage public resources. We also help improve the information government agencies give to the Legislative Assembly.

We encourage improvements by focusing our audits on risks. We look at how government agencies manage the risks involved in achieving their intended results and report on what they have achieved. We then report the results of our work to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with December 31, 2003 year-ends. Our 2004 Report Volume 3, planned for release in the fall of 2004, will cover agencies with March 31, 2004 year-ends.

For the most part, the 150 agencies covered by this report have adequate practices to manage public resources. That is, the agencies have sound practices to safeguard public resources and comply with the laws governing their operations. Also, the agencies have published reliable financial statements. However, problems exist at some agencies and the Government needs to address these problems.

At the same time, public accountability of government agencies continues to improve. Later in this chapter, I highlight examples of significant progress.

Part A of this chapter highlights risk management and accountability for several government agencies covered by this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to the effective delivery of government services and maintaining the ability to pay for these services. The key forces and trends affecting the Government include advancing technologies, economic constraints, globalization, population changes, and pressures on the environment.

Government agencies that are well managed have good governance practices. They have a clear plan of what they want to do, they determine the risks that may prevent them from carrying out their plan, and they have strategies to reduce their risks to acceptable levels. They monitor their progress in achieving their plan.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did, compared to what they planned to do, improves how government agencies manage public resources.

Under the headings advancing technologies, economic constraints, population changes, and pressures on the environment, I highlight some of my Office's work related to how agencies manage the related risks.

Advancing technologies

Advancing technologies help to improve processes, but they also bring challenges. The new technology must be integrated into existing operational systems. As well, the rights and privacy of people must be respected. My office monitors the Government's use of technologies.

Developing new computer systems and networks is risky. Large computer systems need careful management to ensure they are delivered on time, on budget, and meet user needs.

The decision to build computer systems is usually justified by the benefits expected from the systems. Achieving the expected benefits is difficult because often it takes time to change the way people do their work. To bring about these changes requires sustained senior management commitment.

Chapter 12—CommunityNet security, reports on the security of sensitive private and confidential information carried on CommunityNet.

CommunityNet is the Government's high-speed, province-wide data network that handles this information. The network serves hundreds of diverse agencies including departments, Crown agencies, health facilities, schools, and libraries.

The Government has not established adequate oversight practices to protect the information carried on CommunityNet. We recommend that the Government make a single agency responsible for security on the network. We also recommend that the Government set and use sound security and data classification policies for information on the network. In addition, it must monitor compliance with the policies by all users of the network.

Chapter 3—SaskEnergy Incorporated, reports on how SaskEnergy developed a new computer system for an estimated cost of $7.1 million. During 2003, SaskEnergy implemented this new system. SaskEnergy expects the benefits of the new system will recover the costs of the new system in approximately six years.

SaskEnergy had good practices to implement this system. It now faces the challenge of achieving the expected benefits of the system.

Chapter 4—Saskatchewan Power Corporation, reports on the Corporation's practices for achieving the benefits of its enterprise-wide information system. SaskPower invested $58 million in 1998 in this system. It expects to achieve $120 million in benefits from this system.

The actions of SaskPower's senior management indicate a strong commitment to achieving the benefits. It still faces challenges in changing how people do their work. SaskPower continues to make progress in obtaining the planned benefits. It is a good role model for other agencies who are trying to obtain benefits from new computer systems.

Economic constraints

Like everyone, the Government faces economic constraints. The demand for public services continues along with the demand for lower taxes. Good governance and management practices help agencies respond to this pressure.

The Government has billions of dollars invested in infrastructure. Infrastructure consists of roads, land, facilities, equipment, and information technology systems. Infrastructure is necessary to deliver government services.

It costs money to acquire, operate, maintain, and finally dispose of infrastructure. Careful management of infrastructure helps to control these costs and deliver services efficiently. This report contains many findings about how agencies can better manage their infrastructure.

Chapter 13—Learning, describes how the Department oversees the construction of learning facilities. The learning sector uses facilities costing $5.2 billion to deliver education. The Department delivers education through its partners, school divisions and post-secondary education institutions.

The Department faces risks when it builds facilities. The Department must manage economic risks, such as cost overruns. It must also manage capacity risks, such as the need for appropriate staff, as well as construction and environmental risks.

The Department generally had sound practices for overseeing the construction of facilities. However, the Department needs better documentation of the capacity of its partners to build facilities. Also, the Department needs to obtain more information to better oversee construction of facilities at school divisions.

Chapter 14—Health, reports that regional health authorities' equipment plans need improvement. Equipment plans are important for the health system. Inadequate equipment affects the capacity of the health system to deliver services that are safe, effective, and efficient.

The Department of Health needs to prepare a long-term plan for capital equipment. To do so, the Department needs to obtain sound long-term plans from the regional health authorities.

Chapter 15—Community Resources and Employment, reports on how Saskatchewan Housing Corporation (SHC) manages its infrastructure. SHC has 31,000 housing units in 348 communities. The units are valued at $2.7 billion. SHC spends about $30 million each year to maintain these units.

A good capital plan will help SHC ensure it has the necessary units to house people in need. SHC generally had a good capital plan. It should improve the plan to show how it will know if its planned activities (operate, maintain, buy, and dispose) will sustain its supply of housing units.

Population changes

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. In response to this risk, and to make Saskatchewan's workforce more representative, the Government is working to increase Aboriginal employment. In addition, the Government is trying to make workplaces safe.

Chapter 11—Government Relations and Aboriginal Affairs, reports that the Department has good practices for encouraging employers to hire Aboriginal employees. To improve its practices, we continue to recommend that the Department improve how it measures and reports progress towards increased participation of Aboriginal people in the workforce.

Preventing workplace injuries and rehabilitating injured workers helps keep the services of skilled workers available. These activities will help reduce shortages of skilled workers. Preventing injuries also saves money.

The Government must keep the services of skilled workers available by monitoring safety in all workplaces, providing a safe workplace for its own workers, and ensuring injured workers are rehabilitated and compensated. The Government must manage numerous risks to accomplish these objectives. It does so through many agencies.

Last year, we reported on how two regional health authorities and the Department of Labour work to make workplaces safe. We recommended that health authorities improve the safety of their workplaces. We also described how the Department had improved its monitoring of occupational and health and safety committee reports from employers.

We plan to examine and report on the authorities' progress in improving their practices this Fall.

Chapter 16—Workers' Compensation Board, reports on the Board's practices for rehabilitating and compensating injured workers. The Board incurred expenses of nearly $200 million in 2003 for rehabilitation and compensation for injured workers.

During 2003, the Board made significant changes to its systems for processing injured workers' claims for benefits. Administering injured workers' claims is a complicated task. We found that the systems were generally adequate and well-documented. However, the Board needs to make further improvements. We recommend specific changes to claims processing, quality control, and reporting.

Chapter 17—Highways and Transportation, reports on the Department's succession plan. Succession planning is about ensuring that the Department has the right people with the right skills in the right place at the right time. The Department expects a sharp increase in the number of staff in key positions who may retire over the next five years. These retirements present a significant risk to the ability of the Department to manage the transportation system well. In addition, the Department plans to diversify its workforce.

The Department generally has an adequate plan for succession. We recommend improvements related to staff development, recruiting, and retention.

Pressure on the Environment

Chapter 10—Environment, reports on the Department's regulation of air quality. The Department is responsible to regulate air emissions for all industries except agriculture and oil production. Regulating emissions helps protect general air quality by reducing pollutants.

While Saskatchewan's general air quality is good, the Department does not have good practices for regulating the emission of air pollutants to maintain this quality over the long term. The Department needs to determine the resources required to monitor air emissions. It needs to establish consistent standards for emissions for similar industries and monitor compliance with those standards. As well, the Department needs to report publicly on the results of its regulation of air emissions.

Government accountability

My Office continues to focus on improving the Government's accountability to the Legislative Assembly.

On March 31, 2004, in the provincial budget papers, the Government took two important steps to improve its accountability to the Assembly.

First, the Government published its financial plan for the entire Government. The plan followed the model that the Department of Finance and my Office discussed last fall.

The plan contained estimated financial results for the 2004-05 fiscal year as well as the forecast financial results for the year 2003-04 year compared to the plan for that year. This information will help legislators and the public to understand the financial position of the Government at March 31, 2004 and its planned position at March 31, 2005.

Second, the Government gave the Legislative Assembly the 2004-05 performance plans for all government departments and three Treasury Board corporations. Timely plans improve accountability. Legislators will now know more about the Government's planned results when they are called upon to approve the spending to achieve those results. We commend the Government for taking these two steps to improve accountability.

Chapter 9—Finance, provides details on these steps and others to improve the accountability of government agencies to the Legislative Assembly. The Department leads an initiative to have departments and agencies manage for results and to report publicly their results. Progress is steady.

Chapter 2—Information Services Corporation of Saskatchewan (ISC), reports an important additional step to improve the Government's accountability. ISC included audited corporate results in its 2003 annual report. ISC reports its results using a framework called the "Balanced

Scorecard". This is the first time that a Saskatchewan Crown corporation has had its Balanced Scorecard report audited.

The Balanced Scorecard is used to evaluate financial performance as well as the achievement of objectives (benefits) in the areas of innovation and learning, customer satisfaction, and public policy. Corporations publish their performance measures, their expected results for those measures, and their actual results.

We concluded that the reported results are presented fairly. Legislators and the public for the first time have assurance that Balanced Scorecard information is reliable. We encourage other government agencies to consider taking this important step.

Acknowledgement

The dedicated efforts of the employees of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. The names of our staff are set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Boechler, Danielle
Borys, Angèle
Brezinski, Curtis
Calder, Chantara
Clemett, Tara
Creaser, Phil
Dayman, Michelle
Deis, Kelly
Dickin, Deann
Dulle, Leanne
Duran, Jason
Duran, Joel
Emond, Candice
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Huard, Brenda
Hungle, Angie
Jersak, Rodd
Kirchner, Carolyn
Klein, Robin
Knox, Jane
Kress, Jeff
Kuntz, Linda
Lahti, Kami
Lees, Trina
Lindenbach, Michelle
Lowe, Kim
Martens, Andrew
Montgomery, Ed
Nyhus, Glen
Ottenbreit, Stacey
Paul, Charlene
Pritchard, Brent
Rybchuk, Corrine
Schell, Doug
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Stringfellow, Sarah
Thomson, Nathan
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie
Wiebe, Cindy

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Compilation of main points

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Chapter 2 – Information Services Corporation of Saskatchewan

Since its establishment on January 1, 2000, Saskatchewan's Information Services Corporation (ISC) has been developing the Government's new automated land titles system (LAND Project). ISC completed the LAND Project in 2003 at a cost of $58.9 million.

In this chapter, we report the results of our follow-up of two previous reports on ISC. In our 2001 Fall Report – Volume 2, we made recommendations on ISC's project management practices for managing the LAND Project. In our 2002 Fall Report – Volume 2, we reported the results of the work we did for The Standing Committee on Crown Corporations, an all-party committee of the Legislative Assembly. In December 2001, the Committee asked our Office to report on the LAND Project's expected costs, ISC's financing, and ISC's progress in achieving its stated objects, including the benefits of the LAND Project.

ISC implemented the recommendations contained in our first report. To follow up on our work for the Committee, we recommended to ISC that we verify the performance information that it planned to include in its *2003 Annual Report*. ISC agreed.

We report that ISC's Schedule of Performance Information (Schedule) for the year ended December 31, 2003 is reliable. We describe key changes in ISC's stated objectives and its financing since December 31, 2001. We also report on the cost of the LAND Project. Exhibit 2 contains our audit report, management's representations, and the Schedule.

We commend ISC for including audited performance information in its *2003 Annual Report*. Legislators and the public have assurance that the information presented is reliable. It is a first for a Saskatchewan Crown corporation. The debate of whether a program or project is worthwhile belongs with legislators and the public. To have an informed debate, legislators and the public need reliable information about a program's or a project's planned costs and benefits, the actual costs, and the benefits achieved.

We also report that ISC's financial statements are reliable; that it had adequate systems and practices to safeguard public resources; and that it complied with the authorities governing its activities.

Chapter 3 – SaskEnergy Incorporated

SaskEnergy expects to invest $7.1 million in a new enterprise-wide information system (System). In this chapter, we report on whether SaskEnergy had adequate processes to implement this System.

To implement its new System, SaskEnergy used many best practices for managing large IT projects. We make one recommendation. SaskEnergy should improve its processes on realizing the benefits from the System. Achieving the benefits from the System helps SaskEnergy to operate effectively and to realize a return from its investment.

In addition, the 2003 financial statements of SaskEnergy and its companies are reliable. They had adequate rules and procedures to safeguard public resources and they complied with authorities governing their activities.

Chapter 4 – Saskatchewan Power Corporation

In 1998, SaskPower made a major investment in a new information system (System). The original cost to redesign its processes and install the system was $58 million. SaskPower estimates that benefits from the improvements in processes enabled by the System will total $120 million.

In this chapter, we follow up on the recommendations we made in our 2002 Spring Report on SaskPower's processes to realize, measure, and report on these benefits. In 2002, we recommended SaskPower should:

- set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report;
- establish policies to support a long-term continuous process improvement program that includes training and System support plans for its employees; and
- provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes and on the reliability of key reports.

We congratulate SaskPower on its progress in setting out benefit targets and measures and reporting the results. Therefore, we no longer make this recommendation.

However, SaskPower still has work to do, and we continue our recommendations on policies and strategies to support continuous process improvement and getting independent advice on benefits measurement and work processes.

In the future, we plan to focus on the Transmission and Distribution core business unit; examining the processes used to achieve benefits, and seeing if SaskPower gets independent advice on benefit targets and measures.

We also report the results of the audits of SaskPower, its companies and the Power Corporation Superannuation Plan for the year ended December 31, 2003. We concluded that the financial statements are reliable; they have adequate systems and practices to safeguard public resources, and they have complied with the authorities governing their activities.

Chapter 5 – Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a large and complex company. It has diversified the services it provides because of changes in the telecommunications industry.

SaskTel operates its business through separate companies, as opposed to as divisions within SaskTel itself. Using separate companies poses risks to transparency and good governance. It is important that SaskTel take appropriate steps to manage those risks.

We assessed whether SaskTel has adequate processes to govern companies that it owns and controls. Although SaskTel's processes are comprehensive and sophisticated, two areas require improvement. We recommend that SaskTel improve how it communicates its governance expectations to the companies. We also recommend that SaskTel improve how it assesses the effectiveness of the boards of the companies.

In addition, where we completed our work, we found the 2003 financial statements of SaskTel and its companies are reliable. They had adequate rules and procedures to safeguard public resources and they complied with authorities governing their activities. At the date of this report, the audits of two companies - Navigata Communications Inc. Pension Plan and Retx, Inc. are not done. We will report those results in a future report.

Chapter 6 – Saskatchewan Government Insurance

This year, we looked at the processes Saskatchewan Government Insurance (SGI) uses for managing its sales force. That is, its brokers. We expected SGI would have adequate processes to:

- determine how many brokers it needs, and to appoint and terminate brokers when necessary;
- ensure its brokers have operational policies and procedures; and
- ensure its brokers comply with the signed agreements.

We found that SGI's practices for managing its brokers were adequate. The chapter describes our performance expectations of SGI and our detailed findings.

In this chapter, we also describe the results of our audit of Saskatchewan Government Insurance (SGI) and the companies it owns, Saskatchewan Auto Fund (SAF), and Saskatchewan Government Insurance Superannuation Plan (SGI Plan) for the year ended December 31, 2003. SGI manages SAF and sponsors SGI Plan.

We concluded that the financial statements for SGI, its companies, SAF, and SGI Plan are reliable. They had adequate rules and procedures to safeguard public resources and complied with laws governing their activities.

Chapter 7 – Crown Investments Corporation of Saskatchewan

In this chapter, we report the results of the audits of Crown Investments Corporation of Saskatchewan (CIC) and the Capital Pension Plan (Plan) for the year ended December 31, 2003.

We concluded that the financial statements of CIC and the Plan are reliable. CIC had adequate processes to safeguard public resources and it complied with the authorities governing its activities except for two matters where clarification of the law is required. The Plan had adequate processes to safeguard public resources and it complied with the authorities governing its activities.

The Government should clarify the law to require CIC and its subsidiaries to get Order in Council approval before buying and selling real property through a subsidiary. Also, CIC should review the limits over which CIC and its subsidiaries must get Cabinet approval to buy and sell real property. It should seek changes where appropriate.

CIC should have its Act clarified, so that its stated mission of enhancing economic development in Saskatchewan is consistent with its legislation.

Chapter 8 – Standing Committee on Crown Corporations

The Standing Committee on Crown Corporations reviews the activities, performance, and reports of Crown corporations. During its review, the Committee can inquire about current matters, future objectives, and past performance. The Committee also reviews significant transactions made by these corporations. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews chapters of our reports concerning Crown Investments Corporation of Saskatchewan (CIC) and related corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. In Exhibit 1, we set out the status of the Committee's outstanding recommendations and indicate whether they are not implemented or partially implemented.

In June 2003, the Committee recommended that CIC and its related corporations disclose additional information about persons who receive money from these corporations and the amounts they receive (see Exhibit 2). For many years, my Office reported on the need for these corporations to improve their accountability by providing more payee information to the

Assembly. We congratulate the Committee for making this important improvement to the accountability of Crown corporations.

In April 2003, the Assembly agreed to implement new rules and procedures governing its committees. The responsibilities of the Committee were transferred to the Standing Committee on Crown and Central Agencies. We will continue to work with this new Committee to help it carry out its important responsibilities.

Chapter 9 – Finance

In this chapter, we focus on Finance's important coordinating role to strengthen the Government's accountability to the public. We report steady progress. Continued support from legislators and senior officials will help maintain the momentum.

The 2004-2005 Provincial Budget documents include an overall plan for the Government as a whole. The plan explains many key objectives and shows the financial position of the whole Government. This is an important step in helping legislators and the public monitor the Government's direction and financial position.

Finance has an accountability framework that focuses on results and improves planning and reporting. The framework applies to departments, but not to all Treasury Board agencies. We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results. We also recommend the Government require departments and Treasury Board agencies to publish their targets for major long-term results.

We will continue to monitor the Government's accountability.

We also report the results of our audits of Finance-administered special purpose funds and agencies with years ending December 31, 2003. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund (Fund), Finance needs to strengthen its processes to track contributions and claims. Finance does not know if each employer fully pays for the enhanced benefits given to its employees. We recommend that Finance strengthen its processes to separately record and track contributions and claims for the Fund.

Chapter 10 – Environment

In this chapter, we report the results of our audit of the Department's processes to regulate air emissions in accordance with *The Clean Air Act* and *The Mineral Industry Environmental Protection Regulations, 1996*. Our audit covered the Department's processes from April 1, 2002 to October 31, 2003.

Regulating air emissions is a challenge. To meet this challenge, the Department needs to decide what resources it needs to monitor air emissions. The Department also needs to establish processes to ensure it issues appropriate permits to operators and follows up expired permits. The Department could then establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions, and report publicly on air emissions.

Chapter 11 – Government Relations and Aboriginal Affairs

The Department uses special purpose funds and agencies (agencies) to carry out its responsibilities. It is critical that the Department make certain these agencies are managed properly. The Department has three agencies with years ending on December 31, 2003. In this chapter, we report significant breakdowns in the management of one of these agencies – the Northern Revenue Sharing Trust Account (NRSTA).

In our last report, we reported concerns about NRSTA and recommended changes. NRSTA has not yet made the necessary changes. In this chapter, we raise additional concerns. The Department has not sufficiently supervised the operations of NRSTA. We note concerns about NRSTA's processes to plan, account for its activities, prepare financial statements, train its staff, and report on its results. We strongly encourage the Department to work closely with NRSTA to address these concerns soon.

Through initiatives such as the Aboriginal Employment Development Program and the *Strategy for Métis and Off-Reserve First Nations People*, the Department works with Aboriginal people and their leaders. These initiatives help to ensure the growing population of Aboriginal youth has the chance to participate fully in society. In this chapter, we highlight actions and report progress that the Department has taken to address three recommendations related to these two initiatives. We made these recommendations in our prior reports. We look forward to the Department's further progress.

Chapter 12 – CommunityNet security

CommunityNet is Saskatchewan's high-speed, province-wide data network. Private and confidential government information travels over CommunityNet. CommunityNet is a large network, with diverse users, and sensitive information. This means that CommunityNet must have strong security.

We did a study to determine whether the Government has adequate processes to oversee the security of government information carried on CommunityNet. We examined the processes in place at March 1, 2004. Based on our study, we found that the Government does not have adequate processes to oversee the security of government information carried on CommunityNet.

We recommend that the Government:

- clarify which agency is responsible to oversee the security of CommunityNet;
- approve and implement security and data classification policies to protect information carried on CommunityNet; and
- make the agency responsible for overseeing the security of CommunityNet also responsible for monitoring security and ensuring corrective action is taken.

Chapter 13 – Learning

The Department of Learning is responsible for the overall quality of education in Saskatchewan. Adequate educational facilities contribute to quality education. The Learning sector depends upon about $5.2 billion of infrastructure to provide educational services and programs to the public.

By law, school divisions and provincial post-secondary institutions (partners) need the Minister of Learning's approval before they undertake new construction or major renovations to their facilities. This provides the Department with mechanisms to help ensure the necessary infrastructure is in place for the education system.

To ensure that partners complete construction projects as expected, the Department needs to be aware of the risks faced on projects. Typically, project risks fall into three broad categories:

- economic risks – e.g., cost overruns, access to financing;
- capacity risks – e.g., availability of staff and contractors with needed capabilities, incorrect needs analysis; and
- construction risks – e.g., poor construction, expanding project scope, safety and environmental concerns.

In this chapter, we report on how well the Department manages these risks for capital construction projects it approves. We recommend the Department improve its practices to manage those risks.

We found the nature and level of the Department's involvement on projects varies based on its assessment of the capability of its partner to successfully manage the project. The Department needs to document these assessments to ensure the risks are mitigated.

For universities and regional colleges, the Department had adequate processes to receive information throughout project construction to manage the risks. For school divisions, it did not. The Department needs to obtain such information. This information allows the Department to know, on a timely basis, problems in completing projects.

Chapter 14 – Health

The Department of Health's mandate is to protect and improve the health of Saskatchewan people.

In this chapter, we report that information provided to the boards of regional health authorities must continue to improve to better support financial decisions. We also report that the capital equipment plans of regional health authorities continue to be incomplete.

The Department of Health advised our Office that its review of operations of the Métis Addictions Council of Saskatchewan Inc. (MACSI) identified concerns about the governance and financial management of MACSI. Cabinet requested our Office to perform a special assignment to determine whether the money MACSI received from the Department was used appropriately and for the purposes for which it was provided.

We also plan to examine whether the Department used sound oversight practices to ensure that MACSI properly protected public money and spent it prudently and for intended purposes.

We plan to report our findings and conclusions on MACSI in a future report.

Chapter 15 – Community Resources and Employment

Community Resources and Employment is one of the largest departments in the Government. How it fulfils its mandate directly impacts the lives of many Saskatchewan citizens. In this chapter, we focus on three areas.

First, the Department reports that about 56,000 households have housing problems. Inadequate housing affects economic independence, health, and the school performance of children. Access to affordable, adequate housing is a major barrier for increased participation by disadvantaged people in society. The Saskatchewan Housing Corporation (SHC) works with the Department to provide housing to some of these people.

SHC manages a portfolio of nearly 31,000 housing units valued at $2.7 billion. These units are located through the province. The Government expects SHC to sustain this portfolio over the long term. To achieve this, it is critical that SHC has a good capital plan.

We report that although SHC's capital plan contains most of the information necessary for decision making, it needs to improve. As yet, the Plan does not set out the specific measures SHC would use to determine the appropriate size, mix, and condition of the housing portfolio and what SHC expects to achieve with the portfolio by when. It should.

SHC needs this information to ensure that its plans include the right activities to operate and maintain the portfolio efficiently.

Second, we describe our audit plans to determine whether the Department has adequate processes to measure its progress in helping welfare recipients to find and keep work.

Third, as the Department recently reported, it is taking steps in response to concerns we raised in our last report about its child welfare and employment and income assistance programs. In that report, we stated that the Department did not adequately follow its policies and procedures to ensure that only eligible persons receive the correct amount of assistance and that children in care are protected. In response, the Department has prepared a long-term plan to improve compliance with its rules and procedures. We will assess the Department's success in using this plan in our future reports.

Chapter 16 – Workers' Compensation Board

Administering injured workers' claims is a complicated task. The WCB has extensive and generally well-documented processes for administering claims. During 2003, the WCB significantly changed many of its processes including its human resources and quality control processes.

We found that the WCB had adequate processes to administer claims except that it needs to receive injury reports from employers promptly, identify all claims where recovery may be possible from other parties, and ensure the actuaries use accurate data to calculate benefits owing to injured workers. It also needs to set guidelines for documenting its quality control work, and it needs to monitor the quality of work assigned to case management teams. Also, the Board needs to define its reporting needs to oversee administration of claims and receive and approve an adequate work plan for the internal auditor.

We also report that the WCB's financial statements for the year ended December 31, 2003 are reliable and the WCB complied with authorities governing its activities.

Chapter 17 – Highways and Transportation

The Department of Highways and Transportation (Department) expects 60% of its total staff to retire within the next 15 years with a significant loss of senior management in the next three to five years. The Department also wants to ensure its workforce represents the make-up of the general population. These factors make a good succession plan critical to the Department.

In this chapter, we report on the adequacy of the Department's succession plan for key positions. The Department has developed a strategic framework that addresses the key elements of a good succession plan. The Department has documented action plans to enhance its leadership capacity, engage staff, diversify its workforce and ensure effective human resource management. It has made progress carrying out the action plans, but some work remains. The Department needs to develop and implement learning and development plans and to develop strategies to recruit and retain staff.

Chapter 18 – Pensions

In this chapter, we describe our audit of the annual reports of the Government's 14 pension plans. The objective of our audit was to assess whether the annual reports contained sufficient information. We concluded that the plans need to improve their annual reports. The annual reports did not always describe how the plans were progressing toward meeting their expectations. Nor did they consistently help plan members look forward by describing plan risks and capacity.

Some of the government pension plans need to develop and document their strategic direction and improve their governance processes. They must take these first steps before they will be able to report on their progress in achieving their goals.

We recommend the Government's pension plans improve their annual reports by describing their:

- key goals and objectives;
- future directions and risks; and
- strategies to build capacity.

We also describe the work we plan to do to assess how the Superintendent of Pensions supervises pension plans in Saskatchewan.

Chapter 19 – Chief Electoral Officer

In this chapter, we report two matters. First, in common with many other public agencies, the Office of the Chief Electoral Officer could improve the content of its annual report to provide better information on its performance. Also, *The Elections Act, 1996* requires the Electoral Office to table a report on its progress each year. In February 2004, the legislators and public finally received the Electoral Office's first annual report. This report includes information about the Electoral Office and its activities from May 1998 to December 31, 2002.

Informing legislators and public about performance helps to maintain and build public confidence. The Electoral Office's primary role is to maintain the integrity of the provincial electoral process. The integrity of the process is central to the public's confidence in elections. It is essential that legislators and the public receive timely, understandable information from the Electoral Office on its performance.

Second, the Electoral Office has not taken sufficient steps to require political parties to provide details of certain contributions from trust funds and constituency associations as the Act requires. The public and legislators want to know who gives money to parties and candidates. In 1997, the Assembly improved the Election Act to clarify the disclosure and reporting of details where parties and candidates receive money from constituency associations, corporations, and trust funds. It requires parties and candidates to report and disclose the persons who give money to these organizations.

Two registered political parties included investment income as contributions on their returns. For one party, this income was earned on money in a trust fund, while the second on money held by constituency associations. The Electoral Office did not obtain the names of the original donors or the amounts donated in these cases. Disclosure of contributions is key to a transparent electoral process.

Chapter 20 – Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations included in the public accounts. During its review, the Committee can inquire about current concerns, future objectives, and past performance. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public assets. The Government has fully implemented 83% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 57% are partially implemented.

In the exhibit to this chapter, we set out the status of the Committee's outstanding recommendations and indicate whether the Government has partially implemented them or has not implemented them. Where possible, we also indicate the progress made since our 2003 Report – Volume 1.

Information Services Corporation of Saskatchewan

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Main points

Since its establishment on January 1, 2000, Saskatchewan's Information Services Corporation (ISC) has been developing the Government's new automated land titles system (LAND Project). ISC completed the LAND Project in 2003 at a cost of $58.9 million.

In this chapter, we report the results of our follow-up of two previous reports on ISC. In our 2001 Fall Report – Volume 2, we made recommendations on ISC's project management practices for managing the LAND Project. In our 2002 Fall Report – Volume 2, we reported the results of the work we did for The Standing Committee on Crown Corporations, an all-party committee of the Legislative Assembly. In December 2001, the Committee asked our Office to report on the LAND Project's expected costs, ISC's financing, and ISC's progress in achieving its stated objects, including the benefits of the LAND Project.

ISC implemented the recommendations contained in our first report. To follow up on our work for the Committee, we recommended to ISC that we verify the performance information that it planned to include in its *2003 Annual Report*. ISC agreed.

We report that ISC's Schedule of Performance Information (Schedule) for the year ended December 31, 2003 is reliable. We describe key changes in ISC's stated objectives and its financing since December 31, 2001. We also report on the cost of the LAND Project. Exhibit 2 contains our audit report, management's representations, and the Schedule.

We commend ISC for including audited performance information in its *2003 Annual Report*. Legislators and the public have assurance that the information presented is reliable. It is a first for a Saskatchewan Crown corporation. The debate of whether a program or project is worthwhile belongs with legislators and the public. To have an informed debate, legislators and the public need reliable information about a program's or a project's planned costs and benefits, the actual costs, and the benefits achieved.

We also report that ISC's financial statements are reliable; that it had adequate systems and practices to safeguard public resources; and that it complied with the authorities governing its activities.

Introduction

Saskatchewan's Information Services Corporation (ISC) is responsible for administering Saskatchewan's land titles, surveys, geographical information, and personal property registry.

Since its establishment on January 1, 2000, ISC has been developing the Government's new automated land titles system (LAND Project). The LAND Project is now complete at a cost of $58.9 million. In previous reports, we made recommendations on ISC's project management practices for managing the LAND Project. We also reported our findings on three reports prepared by ISC: one on its financing, one on the LAND Project's expected costs, and one on ISC's progress in achieving its stated objects, including the benefits of the LAND Project.

In this chapter, we report on ISC's actions on our recommendations and on our follow-up of ISC's three reports. We also report on the results of our audits for the year ended December 31, 2003.

At December 31, 2003, ISC held assets of $54.8 million, had revenues for the year of $36.7 million, and expenses of $42.5 million. ISC's 2003 Annual Report includes its financial statements and is on its web sit at http://www.isc-online.ca.

Background

In 2001, we examined whether ISC had adequate project management processes for the LAND Project. We reported the results of this work in Chapter 1 of our 2001 Fall Report – Volume 2. We concluded that ISC had adequate project management processes to manage the LAND Project, except for five areas. We made five recommendations to help ISC successfully complete the LAND Project. We follow up on these recommendations later in this chapter.

In December 2001, The Standing Committee on Crown Corporations (Committee), an all-party committee of the Legislative Assembly, asked our Office to report to the Committee on ISC's financing, the expected costs of the LAND Project, and ISC's progress in achieving its stated objectives, including the benefits of the LAND Project. Exhibit 1 sets out the Committee's requirements for each of these matters.

ISC prepared three reports in response to the Committee's request. We worked with Deloitte & Touche LLP, ISC's appointed auditor, to audit these reports as of December 31, 2001. We concluded that ISC's reports were reliable.

We encouraged readers to use these reports, but to keep in mind the report's limitations. The *SPECIAL REPORT to the Standing Committee on Crown Corporations, June 2002* (Special Report) contains the three reports and the accompanying audit reports. The Special Report is available from the Clerk of the Legislative Assembly and on ISC's web site[1].

At December 31, 2001, the LAND Project was not complete and ISC had to use several key assumptions and estimates to prepare its reports. Also, at that time, ISC lacked the operating history to set some of the targets, establish some of the processes to measure, and report reliably on whether it was achieving its stated objectives, including the benefits of the LAND Project.

Our audit conclusions and recommendation

Our Office worked with Deloitte & Touche LLP, ISC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/. Deloitte & Touche LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2003:

- **ISC's financial statements are reliable;**
- **ISC had adequate rules and procedures to safeguard public resources; and**
- **ISC complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

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[1] http://www.isc-online.ca/adx/asp/adxGetMedia.asp?DocID=443,14,1,Documents&MediaID=471&Filename=SpecialReport%20-%20Crown%20Corporations.pdf (March 2004).

Our Office also formed the following opinion:

In our opinion, ISC's Schedule of Performance Information for the year ended December 31, 2003 is reliable.

We audited the Schedule in order to follow up on previous work for the Committee and to follow up on the recommendations from our 2001 audit of the LAND Project.

We commend ISC for including the audited Schedule of Performance Information (Schedule) with our audit report in its *2003 Annual Report*. It is a first for a Saskatchewan Crown corporation. The debate of whether a program or project is worthwhile belongs with legislators and the public. To have an informed debate, legislators and the public need reliable information about a program's or a project's planned costs and benefits, the actual costs, and the benefits achieved.

We include our audit report, management's representations, and the Schedule in Exhibit 2.

The Schedule is a work in progress. Management has set out in the Schedule its limitations due to the lack of data and quantifiable performance targets, and the uncertainty about the relevancy of some performance measures. Management has fairly stated the limitations and why they exist. We encourage readers to use the Schedule, keeping in mind management's explanations of the limitations.

From our audit of the Schedule, we found that ISC should improve its performance measurement and reporting processes. We make the following recommendation.

1. **We recommend that ISC:**
    - **clearly define, document, and communicate its performance measures to staff involved in collecting, processing, and reporting the performance information; and**
    - **set quantified performance targets and establish systems to collect, process, and report the performance information early in the reporting process.**

2. **We recommend that ISC introduce new performance measures and targets to replace outdated ones.**

3. **We recommend that ISC use its internal auditor to review the performance measuring systems and verify the results.**

Follow up of previous work

ISC completed the LAND Project in November 2003. To investigate the matters that we raised in our previous work, we audited ISC's Schedule of Performance Information (Schedule). We chose this method because it was both efficient and effective. ISC did not have to prepare additional reports on the completion of the LAND Project and the Schedule was similar to part three of the Special Report that the Committee requested at the end of 2001 (Exhibit 1).

We present the follow-up of our work for the Committee under the headings: Stated objectives and benefits; ISC's financing; and LAND Project cost. We then present the follow-up of our 2001 recommendations.

Stated objectives and benefits

The Schedule has five key differences from the performance report in part three of the Special Report. These differences are due to changes in ISC's stated objectives since December 31, 2001 and its completion of the LAND Project.

1. ISC dropped its stated objective of selling its land system technology;

2. ISC changed its stated objective (after receiving Cabinet approval - OC 124/03) of charging customers land title fees based on the cost of providing these services. It now charges customers fees based on the underlying value of the land transferred. This method is similar to how it charged fees in the old paper-based land titles system (i.e. the higher the land values, the higher the fees).

3. ISC reported the achievement of the LAND Project's design benefits (e.g. accessible from the Internet) in its report for part three of the Special Report but does not repeat them in the Schedule;

4. ISC includes more performance measures, targets, and results in the Schedule; and

5. ISC discloses in the Schedule that it has deferred its performance reporting on Innovation in Geomatics. ISC has deferred this pending the development of a new Government policy for the management and funding of the Geomatics infrastructure.

We encourage readers to review the entire Schedule, including our audit report and management's representations (Exhibit 2).

ISC's financing

The Schedule does not address ISC's financing requirements. Our follow-up of this matter consisted of identifying the significant factors behind ISC's debt requirements from December 31, 2001 to December 31, 2003.

Part one of the Special Report provided information to help legislators and the public understand why ISC expected its debt to increase to $55 million by March 31, 2002. In the discussion and analysis of that report, ISC projected that its borrowing would peak at $64 million in the fall of 2003.

ISC used the following key assumptions in making these projections.

- It would complete the LAND Project in 2003 for a cost of $60.5 million.

- It would incur significant capital expenditures in 2003 to redevelop its Personal Property Registry System[2] using new information technology.

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[2] The Personal Property Registry System provides for the registration of loans, and liens against personal property such as cars and machinery.

- It would generate sufficient revenues in 2003 from its land titles fees to become profitable.
- It would continue to pay the General Revenue Fund (GRF) $11.7 million per year ($8 million from the land titles registry and $3.7 million from the personal property registry).

ISC completed the LAND Project in 2003 for a cost of $58.9 million. ISC also deferred the redevelopment of its Personal Property Registry System to 2004. In 2002, ISC's financial situation worsened and it was not profitable in 2003. Instead, it lost $5.8 million. One of the key reasons the loss arose was that revenues from charging customers based on the cost of service did not meet ISC's revenue targets. ISC's revenues remained approximately the same as they were in the old manual land titles system.

Because ISC's revenues did not increase as expected, ISC's $11.7 million annual payments to the GRF significantly increased its deficit and its borrowing requirements. For example, between January 1, 2000 and April 1, 2003, ISC paid the GRF a total of $34.3 million. These payments represented approximately 46% of the search and registration fees that ISC collected from its customers. To assist ISC, CIC gave it $18.3 million in operating grants. The net impact to ISC was an increase in its deficit of $16 million. To continue its operations, ISC borrowed the $16 million from the GRF.

In February 2003, Cabinet (Order in Council 123/2003) cancelled the requirement for ISC to pay $11.7 million annually to the GRF. Also in April 2003, ISC started charging its customers its new land registry fees. With this change, ISC's 2003 land registry revenue increased to $29.6 million (2002 - $20.1 million).

With the above changes in ISC's operations, its debt peaked at $67.9 million in 2003. As of December 31, 2003, ISC outstanding debt totalled $64.9 million. ISC now projects that it will become profitable in 2004.

LAND Project cost

Part two of the Special Report provided information to help legislators and the public understand the LAND Project's projected cost and how this cost compared to the budget approved by Cabinet in November 1999.

The projected cost on December 31, 2001 was $60.5 million and the November 1999 budget was $58 million. ISC reports in its Schedule that it completed the LAND Project at a cost of $58.9 million.

ISC determined the cost of the LAND Project using Canadian generally accepted accounting principles (GAAP) except for training and organizational costs that it incurred. ISC adds these costs, $1.7 million, less $0.4 million in training revenues from its customers, to get the total cost of the LAND Project. We agree with this calculation.

As with all information technology systems, ISC is making changes to its new land titles system to improve its performance and customer service. ISC does not count these costs as LAND Project costs. It records these costs as costs of the new initiatives.

2001 audit recommendations

In Chapter 1, 2001 Fall Report – Volume 2, we recommended ISC should:

- strongly encourage key outside users to take training before conducting business using the LAND System and that ISC continue to monitor outside user feedback;
- set measurable and verifiable LAND Project benefits and report publicly on the achievement of all planned benefits;
- complete, test, and approve its business continuity plan;
- receive monthly reports on the comparison between actual costs to date on the LAND Project to the budget to date; and
- perform a post-implementation review of the LAND Project and make the results available to all government organizations;

ISC implemented these recommendations. The Schedule provides performance measures related to the first three recommendations. For the fourth recommendation, ISC implemented it for the remainder of the LAND Project. ISC recently completed a post-implementation review of the LAND Project. Before other government agencies embark on large scale IT projects, we encourage them to discuss with ISC the results of the post implementation review.

Lessons learned from preparing and verifying ISC's performance information

The preparation and verification of performance information is a relatively new experience for government agencies. The key lessons learned from this experience are that agencies need to:

- clearly define, document, and communicate their performance measures to staff in order to reduce the risk of incorrect and or inappropriate measurements;
- quantify their performance targets and establish their systems for measuring performance at or near the beginning of the process in order to reduce the risk of incorrectly measuring their performance and/or not measuring it;
- maintain the effectiveness of the performance reporting process by promptly defining and implementing relevant performance measures when business circumstances change, causing existing measures to become irrelevant; and
- independently review and verify their performance measures and the systems that collect, process, and report the data in order to reduce the risk of errors.

Receiving relevant, accurate, and understandable performance information is essential for making informed decisions and to support effective governance and accountability. Boards, legislators, and the public require this kind of information.

We recognize that performance measuring and reporting is relatively new and that practices continue to evolve. As stated earlier, we commend ISC for taking a lead in providing audited information on its performance to legislators and the public.

Exhibit 1 – The Standing Committee on Crown Corporations' Questions

Part 1

"On the matter of the $55 million debt, to identify the key expenditure segments for ISC and the corresponding revenue and budgets at 2001 year-end."

Part 2

"On the matter of the projected costs in relation to the original approved budget, to identify the projected costs to complete the LAND Project against the assumptions of actual cost of work completed and the assumptions used by ISC to make the projections."

Part 3

"On the matter of ISC meeting its stated objectives, to review progress of the corporation with regards to its stated objectives, including the stated benefits of the Land Project."

Exhibit 2 – Auditor's Report, Management's Representations, and the Schedule of Performance Information

AUDITOR'S REPORT ON SCHEDULE OF PERFORMANCE INFORMATION

To the Legislative Assembly of Saskatchewan,

I have audited the Schedule of Performance Information of Information Services Corporation of Saskatchewan (Schedule) for the year ended December 31, 2003. The Schedule is intended to show management's progress in achieving its stated objectives and performance targets. Management is asserting that they have prepared the Schedule in accordance with the reporting principles set out on this page. The Schedule is the responsibility of management. My responsibility is to express an opinion on the Schedule.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance that the Schedule is free of significant misstatement. An audit includes examining, on a test basis, evidence supporting the content of the Schedule and related disclosures. An audit also includes assessing the reporting principles used and their presentation by management. As well, an audit includes assessing significant judgements made by management, and evaluating the overall presentation of the Schedule.

In my opinion, the Schedule presents fairly, in all significant respects, the Corporation's progress towards achieving its stated objectives and performance targets in accordance with the above reporting principles, including the described departures from those principles due to the lack of data, quantifiable targets and relevancy for certain performance measures.

The Schedule is a work in progress. Management has set out, as departures from the reporting principles, areas where the Schedule departs from the reporting principles. The reader is encouraged to use the Schedule to assess the performance of the Corporation but in so doing, keep in mind management's explanations of the departures.

Regina, Saskatchewan
March 22, 2004

Fred Wendel, CMA, CA
Provincial Auditor

MANAGEMENT'S REPRESENTATION ON THE SCHEDULE OF PERFORMANCE INFORMATION

We prepared the performance information in accordance with the following principles except as otherwise described in the Schedule:

The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of the extent to which the objectives and targets are being achieved. It shows how results were achieved and how progress in achieving performance targets was measured.

The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased, and that is capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and are aggregated at appropriate and meaningful levels.

Mark MacLeod
President and Chief
Executive Officer

Laurie Powers, CA
Chief Financial Officer

Schedule of Performance Information (Balanced Scorecard) For the Year Ended December 31, 2003

CUSTOMER & STAKEHOLDER

Crown Sector Goals:

- The Crown sector must ensure access to reasonably priced utility services on an equitable basis and, in general, to provide reliable, accessible, high quality products and services at the lowest possible cost.
- Crown Sector customers are satisfied with the products and services provided, and this is reflected in customer retention and usage rates.

ISC Corporate Objectives:

Provide excellent value to customers and stakeholders including:

- Radically increase customer and stakeholder satisfaction
- Optimize use of delivery channels
- Implement customer-centric service strategy

Measure	2003 Target	2003 Result	Discussion and long term plans
Service level turn-around time	43% of land title registry transactions are processed within 48 hours	48%	Land titles registry transactions include the registration of land titles and interests in land titles such as mortgages. The turn around time is defined as the time it takes ISC to register a land title or interest or to reject a transaction due to inaccurate data. When previously rejected transactions are resubmitted they are counted as new transactions. ISC's long-term target is to achieve a 72 hour turn around time for standard land titles registry transactions. With a better understanding of customer priorities, ISC changed its turn around time target from 48 hours to 72 hours. Standard land registry transactions are those submitted for registration to the Land Registry but do not include condominium registrations, registrations involving changes to the underlying survey plan, or other non-registration related requests. Standard land registry transactions account for 90% of all transactions.
	15 day average processing time for legal survey submissions	10 days for December 2003	Legal survey submissions include the registration of subdivision plans, condominium plans, consolidation of plans, etc. The turn around time for survey plan submissions is a measure of the total time it takes ISC to process a survey plan from start to finish. Unlike land registry transactions, when plans are returned to customers for additional information, the resubmitted plans are not counted as new submissions or transactions. Accordingly, the turn around time is the length of time from when ISC first receives a plan to when the registration is completed minus any time the plan was returned to the customer for further information. The average processing time is significantly affected by the volume of plans received. An average processing time of 10 days was achieved in the month of December. However, an average processing time for the 2003 year is not available. In 2004, an automated monthly tracking system was implemented. ISC's long-term target is to achieve a 5 day average turnaround time.
	100% of personal property registry transactions are processed within 24 hours	100% (2002 – 100%)	Personal property registry transactions include the registration of loans and liens against personal property such as cars and machinery.

Measure	2003 Target	2003 Result	Discussion and long term plans
Land title registry rejections	Less than 25% rejection rate for land title registry transactions	22% (2002 – 27%)	The land titles registry rejection rate is a measure of the number of land title transactions rejected during the processing phase of the registration process. Rejections are caused by inaccurately submitted data and/or problems with existing land titles data. In both cases, the transactions are returned to the customers for resubmission at a later date. In addition to the 22% land titles registry rejections, there was a 9% (2002 – 10%) rejection rate during the titles entry phase, that is, entering land titles registry transactions into the land titles system. These rejections are the result of customers incorrectly completing registration forms. ISC's long-term target is to achieve a combined rejection rate (i.e. titles entry and processing phases) of 7% by 2006.
ISC assurance claims	Less than $200,000 in claims	$16,761 (2002 - $21,221) in claims paid by ISC	The Government of Saskatchewan guarantees the accuracy of Saskatchewan's land titles. ISC is responsible for paying claims to individuals as a result of losses they incur from errors arising in the new automated land titles system. The General Revenue Fund is responsible for the claims arising from errors made prior to the implementation of the new LAND system in each land titles district. ISC's long-term target is for assurance claims to be less than $100,000.
Customer and stakeholder satisfaction	70% of customers satisfied (increased satisfaction)	No assessment completed in 2003	Extensive customer consultations occurred in 2003 to address customer concerns. Initiatives for 2004 are targeted to improve customer satisfaction. A customer assessment will be conducted in 2004 to gauge customer satisfaction. ISC's long-term target is to achieve a satisfaction rating of 90% by 2006.

ENHANCING VALUE – FINANCIAL / GROWTH

Crown Sector Goal:
Crown Corporations operate efficiently and competitively to provide a return on public investment in the form of dividends and improved asset value.

ISC Corporate Objectives:
To increase the value of ISC to the shareholder including:

- Achieve profitability by the fourth quarter of 2003
- Flat-line operating costs
- Position the Corporation to leverage its assets to extract incremental revenues from non-traditional markets in 2004 and forward

Measure	2003 Target	2003 Result	Discussion and long term plans
Revenue growth	Total corporate revenue of $47.9 million	$36.7 million (2002 – $27.2 million).	The 2003 revenue target was set under the assumption of a higher expected revenue increase resulting from the planned fee rebalancing. The shortfall of $11.2 million was largely due to lower targeted revenues in the rebalanced fee model implemented in April 2003. The rebalanced fee model was implemented after consultations with customers. For 2004, ISC is expecting total corporate revenue of $40.8 million with continued revenue growth in the following years.
Cost effectiveness	Operating expenses excluding amortization are 77% of revenues	82.7% (2002 – 103%)	This percentage is 5.7% higher due to lower than expected revenues resulting from the April 2003 rebalanced fee model. ISC is projecting a cost effectiveness target of 71% for 2004 with further decreases in the following years.

Measure	2003 Target	2003 Result	Discussion and long term plans
Profitability			
Net income	ISC is profitable in fourth quarter of 2003	Loss of $(0.5) million	The fourth quarter loss is a result of lower than forecast fourth quarter land registry revenues as well as ISC proceeding with initiatives to improve customer satisfaction. ISC is targeting net income of $1.5 million for 2004 with additional increases in the following years.
Return on equity	Not applicable for 2003	Not applicable for 2003	The return on equity cannot be properly calculated due to ISC's deficit (i.e. negative equity) position. ISC's long-term target is to achieve a weighted average return on equity of 11%, as approved by CIC.
Sustainability			
Debt to equity ratio	Not applicable for 2003	Not applicable for 2003	The debt to equity ratio cannot be properly calculated due to ISC's deficit position. ISC's long-term target is to achieve a weighted average debt to equity ratio of 68%, as approved by CIC.
New initiative profitability			
Return on investment	For new initiatives, achieve a return on equity of 20%	20% target was used for assessing new initiatives	ISC used the 20% return on equity target for assessing new initiatives approved during 2003. These initiatives are in progress so the actual return on investment is not available.
Self-sufficiency			
Cash flow	Shortfall of cash provided by operations less capital expenditures not greater than $(6.7) million	$(2.5) million (2002 - $(14.2) million)	Actual cash provided by operations less capital expenditures is higher by $4.2 million due to delaying certain capital investments until ISC's financial position improves and due to lower than budgeted operating expenses. ISC's long-term target is to generate $10 million in cash from operations less capital expenditures by 2005.

PUBLIC PURPOSE

Crown Sector Goals:

- Crown Sector is to address the Saskatchewan Human Rights Commission's targets for workplace representation for women, Aboriginals, people with disabilities and visible minorities.

- The Crown Sector contributes to a better public understanding of the importance of environmental stewardship and demonstrates environmental leadership by preventing and/or reducing environmental impacts from corporate operations, and reporting its successes.

ISC Corporate Objectives:
To fulfill our public mandate and contribute to social and economic development in the Province including:

- Deliver mandated programs
- Contribute to environmental stewardship
- Promote development of information economy

Measure	2003 Target	2003 Result	Discussion and long term plans
Minimize the environmental impact from operations by reducing the volume of paper	95% of land registry packet submissions are electronic	94% (2002 – 91%)	ISC's long-term target is 98% electronic submissions by 2005.
	50% of land registry output is electronic	28.4% (2002 – 27%)	The 2003 variance is primarily due to customers comfort and transitional issues regarding the sole reliance on electronic documents. As a result, many customers request both electronic and paper documents. ISC's long-term target is 80% electronic output by 2006.

Measure	2003 Target	2003 Result	Discussion and long term plans
Employee diversity			
Representative permanent workforce	2.0% Aboriginal 3.1% disabilities 2.2% visible minorities	1.0% 2.6% 2.6%	ISC's long-term-targets are: 4.5% by 2008 4.8% by 2008 3.5% by 2008
Female	40.0% management 40.0% executive	43.8% 50.0%	ISC's long-term targets are: 45% 45%
New hires	40.0% diversity	16.7%	Actual of 16.7% was due to the low number of permanent hires in 2003. ISC's annual target continues to be 40%.
Universal access to utility functions			
Regional offices	7 regional offices maintained	7 (2002 – 7 regional offices)	ISC's long-term plan is to maintain 7 regional offices
Internet and phone access	No quantifiable target was set for 2003	Data is not available	ISC's long term plan is to increase service availability using the Internet. For example, provide geomatic products (e.g. maps) through the Internet and enable Personal Property Registry transactions via the Internet. Work on these initiatives is starting in 2004.
Fees that do not discourage usage	Implement a new land registry fee model in 2003	Implemented April 2003	After extensive consultations with customers, a revised pricing model was implemented in April 2003. In 2004, customer consultations will continue on all major initiatives. Six customer association sessions (e.g. with Law Society) per quarter are targeted in 2004.
Support Saskatchewan economy			
Percent of goods and services purchased in Saskatchewan	75% of goods and services	80% (2002 – 84%)	ISC's long term target is 80%.
Support of skills, training and development initiatives in the community	Participate in community initiatives - no quantifiable target was set for 2003	Participated in community initiatives	Participated in Synergy Sessions (discussion forums with Saskatchewan IT professionals and academics), the University of Regina's Student Co-op Program, and provided volunteer support to a community based adult education program . In 2004, a defined measure and quantifiable target will be determined.
Advance digital economy			
Percent of land registry and survey plan packet submissions electronically	95%	93% (2002 – 89%)	ISC's long term target is 98% and is targeted to met by 2005.
Percent of searches done independently by customer over internet	99%	99%	ISC's long-term target is 99.5% and is targeted to be met by 2007.

PEOPLE

Crown Sector Goal:

Crown Corporations advance the social and economic policies of the people of Saskatchewan, based on the values of the Saskatchewan community, with the commitment to use the Crown corporations as a tool to help stabilize the province's workforce, as well as for the skills training and development within the workforce.

ISC Corporate Objectives:

To foster an environment for opportunity and growth including:

- Retain and attract high caliber motivated workforce
- Advance the achievement of a representational workforce
- Foster a corporate culture which embodies the vision and values and engages employees in the achievement of goals and objectives

Measure	2003 Target	2003 Result	Discussion and long term plans
Workforce continuity			
Percent unplanned permanent staff turnover	10%	5.2%	ISC's long-term target is 5%.
Employee skills, training and development			
Training expenditures as a % of payroll	1.8%	1.83%	ISC changed its measure for employee skills training and development for 2004. ISC's long-term target is now 1.5% of revenue and this is to be met in 2004.
Employee satisfaction	Increase employee satisfaction from baseline of 3.28 out of 5	No survey completed in 2003	In 2002 an employee satisfaction survey established a baseline measurement of 3.28 out of 5. The 2004 target is a 20% improvement on the 2002 baseline (i.e.3.9 out of 5). A follow up survey is scheduled for the first quarter of 2004.

INNOVATION

Crown Sector Goals:

- The Crown Sector develops measures and targets that challenge them to contribute to economic diversification and growth
- The Crown Sector takes an active role and participates in research and development initiatives that promote new technologies, potential business efficiencies, business diversification opportunities and other works that could support business growth and enhance profitability.

ISC Corporate Objectives:

To achieve the benefits of innovation, achieve organizational effectiveness and foster an environment for opportunity and growth including:

- Improve or establish an environment and framework to encourage innovation
- Develop and advance a knowledge management strategy

Measure	2003 Target	2003 Result	Discussion and long term plans
Innovative environment			
LAND project on audited forecast	$60.5 million forecast	$58.9 million	The $60.5 million forecast is an audited forecast for the LAND Project as of December 31, 2001[1]. This audited forecast was prepared as a result of a special request by the Crown Corporations Committee. The Committee wanted to know the projected cost of the LAND Project in relation to the $58 million budget approved by Cabinet in November 1999. ISC substantially completed the LAND Project as it was originally designed in November 2003. The $58.9 million cost is net of $0.4 million in training revenues. Subsequent development and enhancements of the LAND Project are ongoing and these costs are and will be recorded as capital costs related to the new initiatives.

[1] Special Report to the Standing Committee on Crown Corporations, June 2002

Measure	2003 Target	2003 Result	Discussion and long term plans
Availability of LAND System			
Uptime	Servers for internet access up 99% of time, 7 days per week, 24 hours per day.	99.9%	In 2004, a better measure called "availability of website and LAND system to customers" has been created to more accurately reflect the customer experience. ISC's long-term plan is 99%, 7 days a week, 24 hours a day. ISC has a disaster recovery plan and procedures in place in the event of a disaster. A disaster simulation is targeted for 2005 to further test the plan and procedures.
Knowledgeable users			
Number of users (staff and customers) trained on LAND System in year	3,000 employees and external customers	1,007 (2002 – 2,334) employees and external customers	Actual of 1,007 face-to-face trained users were lower than expected due to a change in the method of delivery in the year. Training sessions ranged from one to seven and one half hours. Due to customer and employee demand, there has been less face-to-face training and more self-directed module training. It has not been practical to measure the self-directed module training. The measure going forward has been changed to the number of training encounters with employees and customers. A training encounter includes self-directed module training via the Internet.
Innovative advancements in Geomatics	2 specific initiatives targeted	Initiatives deferred	Geomatics includes the technology and activities involved in the development, management, and distribution of geographically referenced information (e.g. digital representations of topographical maps and survey plans). Reporting on innovative advancements in Geomatics was deferred pending completion of wider client consultations and clarification of ISC role with respect to Geomatics in the Government of Saskatchewan. In the fall of 2002, ISC and the Saskatchewan Information Technology Office partnered to engage the Gartner Group in a study to recommend an appropriate governance model for geomatics services within the provincial government. The Gartner study also identified opportunities to improve policy development and geomatics standards, establish more predictable funding for geo-services and expand the use of geomatics information. ISC will continue to work with the other stakeholders involved to act on these recommendations and shape a long-term strategy for geo-services in the province.
Saskatchewan people benefit from digital economy and enhanced access			
Participation in enterprise wide digital framework across Crowns and Government agencies	Participation	Participated (no quantifiable target or results)	ISC participated in the government's enterprise wide digital framework. In 2004 a defined measure and quantifiable target will be determined.

Note: During the annual planning process, ISC improves and modifies the performance indicators. Therefore, 2002 comparative figures are not readily available for some of the measures.

OUTLOOK

In 2004, ISC's focus on organizational and operational excellence will not waiver. ISC has identified seven key business drivers for achieving its 2004 strategic priorities. Goals and objectives are organized around these business drivers. While benchmarks continue to be refined as ISC evolves its operations, the 2004 balanced scorecard includes tangible business objectives and measures for each of these seven drivers including: planning, leadership, customer, organizational and financial performance, process management, people and partners. ISC understands that its people are the most critical element to long-term growth and success. As a result, a separate measure for leadership has been included for 2004.

The key operational measures identified for 2003 continue for 2004. Additional key measures for the 2004 year include:

- Develop an organization of leaders –
  # of people participating in leadership development
- Employees act as if they own the corporation –
  % business unit workplans tied to corporate objectives
  % of out-of-scope career workplans utilized and updated quarterly
  # of succession plans developed
- Customer trust – # of strategic customer engagements
- Customer confidence and satisfaction –
  # of customer association partnerships

ISC will continue to make significant investments in enhancing the core competencies of its team. Continuous employee development will be provided in the areas of leadership, customer service, management and supervisory training, project management and financial management. In 2004, enhancing the customer experience will remain a priority for ISC. More rigorous customer issue and service tracking will be implemented, including follow-up practices. ISC will undertake initiatives that will result in an enhanced understanding of our customers, better two-way communications and a more efficient organization. This includes two projects that are being undertaken as a direct result of customer feedback. The Land Registry Business Process Improvement addresses customer priorities through the implementation of on-line Land Registry submissions, improved title accuracy, reduced packet rejections and improved processes that will significantly reduce the number of and time required to correct errors. ISC will also begin to upgrade the technology platform for the Personal Property Registry to provide customers with a fully integrated self-serve, Internet based application.

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SaskEnergy Incorporated

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Main points

SaskEnergy expects to invest $7.1 million in a new enterprise-wide information system (System). In this chapter, we report on whether SaskEnergy had adequate processes to implement this System.

To implement its new System, SaskEnergy used many best practices for managing large IT projects. We make one recommendation. SaskEnergy should improve its processes on realizing the benefits from the System. Achieving the benefits from the System helps SaskEnergy to operate effectively and to realize a return from its investment.

In addition, the 2003 financial statements of SaskEnergy and its companies are reliable. They had adequate rules and procedures to safeguard public resources and they complied with authorities governing their activities.

Introduction

The primary business of SaskEnergy Incorporated (SaskEnergy) is the transportation, distribution, and storage of natural gas in Saskatchewan. SaskEnergy prepares consolidated financial statements to report on its activities. The consolidated financial statements include the financial activities of SaskEnergy and the companies that it owns and controls.

In 2003, SaskEnergy had revenue of $693 million and net income of $41 million. As of December 31, 2003, SaskEnergy held assets of $1.2 billion.

In this chapter, we report on the results of our audit for the year ended December 31, 2003. We also report on the results of our audit of SaskEnergy's processes to implement its new computer system (System).

SaskEnergy's Board approved the costs to implement the System. Originally, SaskEnergy projected the cost to be $5.3 million. It now projects the costs to be $7.1 million. SaskEnergy expects to recover these costs in approximately six years by realizing benefits from the System.

Audit conclusions and findings

Our Office worked with Deloitte & Touche LLP, SaskEnergy's appointed auditor, to carry out the audits of SaskEnergy and its companies.

- TransGas Limited,
- Many Islands Pipe Lines (Canada) Limited,
- Bayhurst Gas Limited.,
- Swan Valley Gas Corporation,
- Saskatchewan First Call Corporation,
- SaskEnergy International Incorporated,
- SaskEnergy Chilean Holdings I Ltd.,
- SaskEnergy Chilean Holdings II Ltd.,
- SaskEnergy Chilean Holdings Limitada,
- SaskEnergy Mexican Holdings Ltd.,
- SaskEnergy Nova Scotia Holding Ltd., and
- Heritage Gas Limited.

SaskEnergy prepares separate audited financial statements for each of these companies. It gives these financial statements to the Legislative Assembly. In addition, it provides information about these companies on its web site at http://www.saskenergy.com and in its 2003 Annual Report.

We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.* (To view a copy of this report, see our web site at http://www.auditor.sk.ca/.) Deloitte & Touche LLP and our office formed the following opinions.

In our opinion, for the year ended December 31, 2003:

- **The financial statements of SaskEnergy and its companies are reliable.**
- **SaskEnergy and its companies had adequate rules and procedures to safeguard public resources.**
- **SaskEnergy and its companies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

In the next section, we present the results of our audit of SaskEnergy's processes to implement its new System.

Assessment of System implementation

Audit objective

We assessed whether SaskEnergy had adequate processes to implement its new computer system (System). We focused on SaskEnergy's processes on October 1, 2003.

Audit criteria and approach

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

To assess the adequacy of SaskEnergy's processes to implement its new System, we used the criteria set out in Exhibit 1. We developed the criteria from our review of the selected references at the end of this chapter. SaskEnergy agreed with the criteria.

Exhibit 1—Audit criteria

To adequately manage the implementation of the System, SaskEnergy must have adequate processes to:

1. obtain and maintain senior management commitment to the project;
2. manage change;
3. plan for the measurement and reporting of benefits;
4. secure the new computer system; and
5. manage project scope, risk, costs, and schedule.

We list the detailed criteria in Exhibit 2 at the end of the chapter.

Risks and challenges

The System represents a significant investment intended to improve SaskEnergy's business management practices. The investment consists of new technology, new business processes, and new skills for SaskEnergy's employees.

The System is a complex, enterprise-wide information system. It includes financial, purchasing and inventory, human resource, payroll, and work management modules. Putting in these systems involves risk. Agencies can run into difficulties with these projects if they:

- do not invest enough money, time, and expertise to overcome the technical complexities;
- fail to change the way they work to take advantage of the system's strengths; or
- do not set up processes to ensure they identify and achieve the planned benefits.

To overcome these difficulties and achieve the planned benefits, strong project management processes and adequate system security are essential.

Conclusion and recommendation

On October 1, 2003, SaskEnergy had adequate processes to implement its new System, except for the matters reflected in the following recommendation.

1. **To improve its processes for realizing the benefits from the System, we recommend that SaskEnergy:**
   - **clearly establish the baseline data needed to measure the benefits;**
   - **clearly define its benefits realization reporting strategy including its processes to verify the benefits achieved; and**
   - **report to its Board on the benefits realized including written explanations of the differences between the planned and actual results.**

Overall, SaskEnergy has done a good job implementing the System. In the next section, we highlight the key reasons for this assessment. We also describe why its benefit realization program needs strengthening, and we describe several processes that SaskEnergy could strengthen for future projects.

Detailed findings

Implementing a large complex computer system is a challenging task. It requires the planning, coordinating, and execution of many activities by people possessing the right set of skills and working together. It also requires appropriate checks and balances at key stages to ensure the project proceeds as planned and unexpected risks are properly managed.

Project strengths

We highlight five of SaskEnergy's key strengths in managing this project. These strengths are best practices and were critical in the successful implementation of the System.

- The Board approved the project and received updates on its progress. SaskEnergy's senior management was directly involved in overseeing this project. For example, there was a steering committee composed mainly of SaskEnergy's vice-presidents that met regularly, approved key decisions, and closely monitored the project's progress. This involvement greatly improved the chances of the System meeting SaskEnergy's objectives and hence its success.
- SaskEnergy ensured it had the necessary skills and knowledge to implement the System by contracting with a firm that specialized in implementing this kind of system. Using the expert assistance provided by an implementation partner greatly enhanced SaskEnergy's chances of being successful.
- SaskEnergy set up a project management office that had the required skills to supervise the project including the services of its implementation partner. Project management includes the careful management of contractual services that are critical to the success of a project.
- SaskEnergy charged its internal auditors with providing the Board with independent assessments on the project's management practices and on the development of the System's security. Internal audit also contracted the services of an expert to help it make these assessments. This expertise helped make its assessments and recommendations effective. SaskEnergy took prompt corrective action on internal audit recommendations. Obtaining and acting on this independent advice was critical to the success of this project.
- SaskEnergy ensured it had properly completed the necessary work before it implemented the System. For example, the original plan was to implement part of the System on October 1, 2003 with

> the remainder on January 5, 2004. When it became apparent in the summer of 2003 that it was unlikely that everything would be ready for the first part of the implementation, SaskEnergy delayed it until January 5, 2004.

It is notable that when SaskEnergy did implement the System on January 5, 2004, it had well-defined security processes in place, it was successful in paying its employees, and it could reconcile its bank accounts.

Unfortunately, this is often not the case with many system implementations. When implementations are poorly done, agencies are often at risk due to inadequate controls. Also, they incur considerable expense and time to correct the problems.

Benefit realization needs improvement

SaskEnergy's processes for realizing the benefits of the System need improvement.

A project's success is ultimately determined by the benefits the agency achieves from it. This is because the benefits represent the return on the investment.

SaskEnergy set up a benefits realization program for the System. It identified the expected benefits, their magnitude, and the strategies for achieving them. Also, the respective vice-presidents of operations and their managers formally agreed that the expected benefits were attainable and that they were committed to achieving them.

However, SaskEnergy's benefit realization program did not include baseline data needed for measuring the benefits. It also did not set out the reporting strategy or the processes to verify the benefits achieved. Without clearly-defined starting points and a reporting strategy that includes formal reporting of verified benefits to the Board, SaskEnergy may not achieve the expected benefits from the System.

Strengthening project management

During our work, we identified several processes that SaskEnergy could strengthen for future projects. These processes deal with time and cost management, and with human resource management.

During the initial part of the project, SaskEnergy's processes for managing the project's time and progress could have been stronger. The project team had not clearly defined the sequence of activities that determined the project's duration (i.e. its critical path). Also, the processes for determining the project's percentage of completion did not produce sufficiently reliable results. As a result, the effectiveness of managing the project's time and cost was lessened during this period. The project team recognized these deficiencies and it strengthened the processes for the latter part of the project.

When SaskEnergy set the budget for this project, it did not include a contingency amount for unforeseen work. For large complex projects, it is unlikely that a project team can identify all required work at the start of the project. It is best practice to include a contingency amount in a project's budget and carefully monitor its use. When a contingency amount is not included in a project's budget, it is likely that the budgeted costs will be exceeded. Also, it increases the risk that the quality of the work will suffer due to budget pressures. SaskEnergy was committed to doing sufficient work to implement the System properly. For example, it expected to incur $0.3 million in additional costs when it moved back the implementation date described earlier.

SaskEnergy experienced a relatively high turnover of project team members. Also, some of this turnover occurred late in the project and without much notice provided to the project manager. Turnover of project staff is expected on a long project, but it needs to be reduced where possible. Turnover causes inefficiencies and increases the risk of time and cost overruns. We therefore encourage SaskEnergy to develop policies to make it attractive for staff to remain working on large IT projects.

Exhibit 2 – Detailed criteria

1. **Adequate organizational processes to obtain and maintain commitment to implementing the new System.**
   - 1.1 Governance processes
     - 1.1.1 SaskEnergy's Board supports the implementation of the new System (Project).
     - 1.1.2 The Project Team has the authority to carry out the Project.
   - 1.2 Accountability processes
     - 1.2.1 There are clear measurable performance targets for the Project's deliverables.
     - 1.2.2 Senior management takes responsibility for achieving the benefits of the new System.
     - 1.2.3 The benefits of the new System are incorporated into SaskEnergy's Business Strategic Plan and Business Plan.
   - 1.3 Proactive leadership (See criterion 2.1 to 2.5 below.)
2. **Adequate processes to manage change.**
   - 2.1 There is a sense of urgency for realizing the system benefits.
   - 2.2 Senior management lead and believe in the benefits of the new System.
   - 2.3 A change management team and plan is established to bring about the change.
   - 2.4 There is a clear vision for the project.
   - 2.5 The vision is effectively communicated.
   - 2.6 There are processes to assess SaskEnergy's culture to support and sustain the change.
3. **Adequate processes to measure and report on the Project's benefits.**
   - 3.1 The Project is supported by a Business Case.
   - 3.2 The Business Case is consistent with SaskEnergy's Strategic Plan.
   - 3.3 The Business Case sets out quantitative benefits.
   - 3.4 The Project includes plans for realizing the benefits of the new System.
4. **Adequate processes to secure the system.**
   - 4.1 A methodology is adopted and used to secure the System.
   - 4.2 A strong team is established for securing the System.
   - 4.3 Quality assurance reviews are performed on the processes for securing the System.
5. **Adequate project management processes.**
   - 5.1 There are processes to manage and control the scope of the project (scope management).
   - 5.2 There are processes to mange and control the time to complete the project (time management).
   - 5.3 There are processes to manage and control the cost of the project (cost management).
   - 5.4 There are processes to assess if the project is managed well and if the components of the System are being properly implemented (quality management).
   - 5.5 There are processes to manage and control the selection, training, and use of staff (human resource management).
   - 5.6 There are processes to manage and control the creation, communication, and storage of information (communication management).
   - 5.7 There are processes to manage and control the project's risks (risk management).
   - 5.8 There are processes manage and control the contracting of goods and services (procurement management)
   - 5.9 There are processes to ensure that the various elements of the project are properly coordinated (integration management).

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Saskatchewan Power Corporation

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Main points

In 1998, SaskPower made a major investment in a new information system (System). The original cost to redesign its processes and install the system was $58 million. SaskPower estimates that benefits from the improvements in processes enabled by the System will total $120 million.

In this chapter, we follow up on the recommendations we made in our 2002 Spring Report on SaskPower's processes to realize, measure, and report on these benefits. In 2002, we recommended SaskPower should:

- set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report;
- establish policies to support a long-term continuous process improvement program that includes training and System support plans for its employees; and
- provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes and on the reliability of key reports.

We congratulate SaskPower on its progress in setting out benefit targets and measures and reporting the results. Therefore, we no longer make this recommendation.

However, SaskPower still has work to do, and we continue our recommendations on policies and strategies to support continuous process improvement and getting independent advice on benefits measurement and work processes.

In the future, we plan to focus on the Transmission and Distribution core business unit; examining the processes used to achieve benefits, and seeing if SaskPower gets independent advice on benefit targets and measures.

We also report the results of the audits of SaskPower, its companies and the Power Corporation Superannuation Plan for the year ended December 31, 2003. We concluded that the financial statements are reliable; they have adequate systems and practices to safeguard public resources, and they have complied with the authorities governing their activities.

Introduction

Saskatchewan Power Corporation (SaskPower) is the principle supplier of electricity in Saskatchewan. SaskPower delivers electricity through two main core business units: Power Production (power plants), and Transmission and Distribution (moving power in bulk from power sources to customers).

SaskPower prepares consolidated financial statements to report on its activities. The consolidated financial statements include the financial activities of SaskPower and the companies it owns and controls.

In 2003, SaskPower had revenue of $1.2 billion and net income of $187 million. At December 31, 2003, it held assets of $3.6 billion.

SaskPower owns three companies: SaskPower International Inc., NorthPoint Energy Solutions Inc., and Power Greenhouses Inc. SaskPower also manages the Power Corporation Superannuation Plan.

SaskPower International (International)

International's mandate is to seek new revenue sources. This includes investing in joint venture power-related projects and selling flyash.

In 2003, International had revenue of $20 million and net income of $2 million. At December 31, 2003, it held assets of $167 million.

NorthPoint Energy Solutions Inc. (NorthPoint)

NorthPoint performs generation and load management services. It also provides energy trading functions related to the generation assets of SaskPower. The energy trading functions include selling surplus power and buying power for domestic use when a shortfall occurs or lower cost power is available. NorthPoint also buys and sells power in transactions not related to SaskPower's generation assets.

In 2003, NorthPoint had revenue of $27 million and net income of $6 million. At December 31, 2003, it held assets of $30 million.

Power Greenhouses Inc. (Greenhouse)

Greenhouse distributes tree seedlings for reclamation, habitat development, and restoration. The seedlings are grown using waste heat from the Shand Power Station.

Greenhouse's sole revenue source is SaskPower. In 2003, SaskPower reimbursed Greenhouse for expenses totalling $1 million. At December 31, 2003, Greenhouse held assets of $4 million.

The Power Corporation Superannuation Plan (Plan)

The Plan is a defined benefit pension plan for employees hired prior to October 1, 1977. A board appointed by Cabinet administers the Plan.

At December 31, 2003, the Plan had assets of $684 million and liabilities of $704 million.

Our audit conclusions and findings

Our office worked with Deloitte & Touche LLP, the appointed auditor for SaskPower, International, NorthPoint, and the Plan. Our Office also worked with Matchett, Potts, and Seipp, the appointed auditor for Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. To view this report, see our web site at http://www.auditor.sk.ca/. The appointed auditors and our office formed the following opinions.

In our opinion, for the year ended December 31, 2003,

- **the financial statements of SaskPower, its companies, and the Plan are reliable;**
- **SaskPower, its companies, and the Plan had adequate rules and procedures to safeguard public resources; and**
- **SaskPower, its companies, and the Plan complied with authorities governing their activities related to financial**

reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In this chapter, we follow up on the recommendations we made in our 2002 Spring Report on the SaskPower Benefit Realization Process. We reported on the adequacy of SaskPower's processes to realize, measure, and report on benefits achieved from improved business processes enabled by its new information system.

Our follow-up focused on the progress made by Power Production. We also followed up on SaskPower's strategies to enable change. In the future, we plan to examine progress made by Transmission and Distribution.

Background

In 1998, SaskPower made a major investment in a new information System (System). The original cost to redesign its processes and install the system was $58 million. SaskPower estimates that benefits from the improvements in processes enabled by the System will total $120 million.

In March 1999, we reviewed SaskPower's project management practices to implement the System. We concluded that SaskPower had good practices to implement the System. We recommended that SaskPower set measurable targets for the planned benefits over the System's five-year business plan and report progress against these targets to the Board of Directors and in its annual report.

At that time, we said SaskPower faced four challenges and they continue today. These challenges are:

- ensuring SaskPower realizes the expected benefits from the System;
- ensuring staff are properly trained in the new business processes and motivated to realize the benefits;
- ensuring specialized knowledge and skills gained by SaskPower's implementation team are retained for running and managing the System; and
- securing the System to ensure the confidentiality, completeness, accuracy, and availability of information.

In late 2000, management informed the Board that progress in achieving the benefits was not going as planned. The Board directed management to assess and report on how to realize the benefits. In 2002, we reviewed SaskPower's processes to realize, measure, and report on benefits achieved from its new System. We also focused on the processes to realize the benefits in Power Production.

In our 2002 Spring Report Chapter 11[1], we made three recommendations to help SaskPower realize, measure, and report the System's benefits.

- SaskPower should set out the benefit targets and measures for the System in its business plan and report the results achieved in its annual report.
- SaskPower should establish policies to support a long-term continuous process improvement program that includes training and System support plans for its employees.
- SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes and on the reliability of key reports.

The Standing Committee on Crown Corporations' Third Report of December 2002 agreed with these recommendations.

Current status of recommendations

In this section, we report on the status of each of the above recommendations at February 2004.

Recommendation 1: Benefit targets and measures in business plans and annual report

Senior management commitment is very important to the success of projects. It is even more crucial when projects are complex, span many years, and involve significant change. Good governance, accountability, and active leadership processes are required to obtain and maintain strong commitment to projects. Based on our discussions with senior management and our review of the Board of Director's minutes, we concluded SaskPower is committed to achieving the maximum benefits from this System.

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[1] Exhibit 1 contains our detailed criteria used in 2002.

We also reviewed SaskPower's processes for realizing, measuring, and reporting benefits from the System. SaskPower established targets for the expected benefits. We reviewed the 2004 Business and Strategic Plan and the 2003 Annual Report. In the 2003 Annual Report, SaskPower discusses the costs and benefits of the project including Power Production.

> The original cost to the Corporation to redesign its processes and install the SAP software system was $58 million with operating expenditures forecasted at approximately $30 million over the first five years of operation. SaskPower originally expected to realize benefits from the project of $167 million over the same period. The Corporation now expects to achieve approximately $120 million of benefits as a result of this investment. The bulk of these benefits will result from improved planning and maintenance activities at SaskPower's coal-fired power stations. Improved planning and maintenance activities are anticipated to translate into better availability of the coal plants (production of more electricity) which will minimize the cost of using more expensive forms of replacement energy such as natural gas. As of December 31, 2003, SaskPower had realized benefits of $53 million. The Corporation has made a strategic priority of leveraging this investment particularly in Power Production, Transmission and Distribution, and Corporate Information and Technology and continually seeks new ways to improve operational performance through leverage of the investment.

The benefits received to date are mainly the results of process improvements in Power Production and avoiding some computer costs. SaskPower is realizing the Power Production benefits as planned.

SaskPower is now focused on identifying and obtaining benefits in Transmission and Distribution. SaskPower needs to identify and tie performance measures to realization of benefits in Transmission and Distribution. Currently, SaskPower has identified $4 million in benefits from improved processes in Transmission and Distribution. SaskPower is still examining this area to see if further benefits can be obtained.

Overall, SaskPower has made sufficient progress in setting out the benefit targets and measures for the System in its business plan and reporting the results achieved in its annual report.

Recommendation 2: Policies and support to sustain long-term process improvement

To achieve the benefits from the System, SaskPower must change its processes and be ready for more changes in the future. As part of our 2002 audit, we assessed SaskPower's change process. At that time, SaskPower's corporate culture survey indicated a culture that avoids change. We expected SaskPower to provide the structural support to manage change. It did this by setting up a continuous process improvement program with a project management office. SaskPower is now in the process of incorporating these functions into its normal business operations.

We expect SaskPower to sustain the benefits of process improvement. Its Human Resources division is developing a strategy to align compensation with new work processes. It has introduced a performance management system to ensure employees achieve both corporate and personal objectives. Human Resources has also introduced a labour relations strategy to assist management and the unions to work together to achieve SaskPower's objectives. There are also initiatives to develop a better change management process, improve diversity, and encourage learning. SaskPower should evaluate these strategies and initiatives to ensure they promote a culture of change and reward process improvements.

In our 2002 Spring Report, we stated SaskPower must examine how it delivers support for the System so that it can better respond to user needs. SaskPower has developed strategies to move some support functions to the business units and fill System Support staffing needs with long-term contract help. If SaskPower is able to move some support functions to the business units, System Support will have more time available for system improvements.

Both Human Resources and System Support are developing specific strategies to promote and support continuous improvement; however, these strategies have yet to be fully implemented.

We continue to recommend that SaskPower implement its policies and strategies to promote long-term continuous process improvement.

Recommendation 3: Independent monitoring of benefits and work processes

In our 2002 Spring Report, we also focused on a Power Production maintenance planning and scheduling project. SaskPower estimates savings of $74 million out of the $120 million in total benefits from improved power plant maintenance processes.

We expected SaskPower to measure and report on realized benefits. We expected senior management would base their reporting on clearly defined performance measures including appropriate indicators for process improvement and benefit realization. By measuring and reporting, improvements will result. Michael Hammer in his book *The Agenda* states:

> Measurement is not the essence, but improvement. The purpose of measuring is not to know how a business is performing but to enable it to perform better. Measurement must be neither an end nor an activity in itself but part of an integrated system for enhancing business performance.

Power Production measures and reports both the percentage of work scheduled and the outcome of improved scheduling. The outcome is improved production capacity of the coal-fired power plants.

We also expected the processes to include getting an independent assessment of the measures and conclusions reached. SaskPower got an independent assessment and we reviewed it. The conclusions reached were consistent with those we reached in 2002. The assessment concluded:

- the new processes are effective and consistent with other power plants;
- the measurement reports are accurate, reliable, and comparable;
- the assumptions used in benefit measurement are reasonable; and
- it is too soon to determine conclusively, if the improved work processes will fully realize the planned benefits.

SaskPower has not yet completed a similar assessment of the work processes and benefit targets and measures in Transmission and Distribution. An assessment could help determine if the planned benefits are reasonable and if improved work processes enabled by the System will improve performance. An assessment may also determine if there are additional benefits.

For these reasons, we continue to recommend that SaskPower provide its Board of Directors with independent advice on its benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports.

SaskPower's response:

> SaskPower will endeavour to implement its policies and strategies to promote long term continuous improvement with particular emphasis on implementing an approved SAP Support Strategy. SaskPower also agrees to provide its Board of Directors with independent advice on benefit targets, effectiveness of the new work processes and on the reliability of key reports with particular emphasis on the Transmission & Distribution benefits realization commitment.

Future work

We plan to examine SaskPower's processes to achieve benefits in Transmission and Distribution. We will look to see if SaskPower gets independent advice on Transmission and Distribution's new work processes and benefit targets and measures. We will also follow up on SaskPower's progress in implementing strategies to sustain change.

Exhibit 1 – Detailed criteria

- **1. Senior management commitment to realize the benefits**
  - **1.1 Governance processes**
    - 1.1.2 The team has the authority to carry out the Program
    - 1.1.3 A strong team is put in place to carry out the Program
  - **1.2 Accountability processes**
    - 1.2.1 Clear measurable performance targets
    - 1.2.2 Performance measurement
    - 1.2.3 Assessing results
    - 1.2.4 Alignment of objectives with the Business Plan and Annual Report
  - **1.3 Proactive leadership**

- **2. Proactive change management processes needed to realize benefits**
  - **2.1 There is a sense of urgency for the change**
    - 2.1.1 There are strong business reasons for making the changes
    - 2.1.2 The business reasons are understood and accepted by management and the Board
  - **2.2 Senior management lead and believe in the project**
    - 2.2.1 The process owners are committed to realizing the benefits
    - 2.2.2 Key individuals are assembled to lead the change
    - 2.2.3 Good team work practices are encouraged
  - **2.3 The program is guided by a clear vision**
    - 2.3.1 A clear vision of the process improvement program is developed
    - 2.3.2 A clear vision of the new work processes is developed
    - 2.3.3 Strategies are developed for achieving the vision
  - **2.4 The vision is effectively communicated**
    - 2.4.1 A communication plan is established and carried out
    - 2.4.2 The actions of teams and other key managers set an example of the needed changes
  - **2.5 Employees are empowered to act on the vision**
    - 2.5.1 Key policies support the changes
    - 2.5.2 Obstacles to change are removed
    - 2.5.3 Risk-taking and new ideas are encouraged
  - **2.6 Short-term wins are planned**
    - 2.6.1 Short-term wins are planned
    - 2.6.2 The successes are communicated
    - 2.6.3 Individual and team efforts are recognized
  - **2.7 Progress is consolidated and used to drive more change**
    - 2.7.1 Progress is assessed and communicated
    - 2.7.2 Lessons learned are incorporated into new projects
    - 2.7.3 Teams are in place to ensure the Program continues until the benefits are realized
  - **2.8 The change is institutionalized within the corporation**
    - 2.8.1 Organizational polices, structures, and union agreements are amended to support the changes
    - 2.8.2 Training programs are established and delivered to support the changes

- **3. Adequate project management practices to manage process improvement projects**
  - **3.1 Processes to plan for the realization of benefits**
    - 3.1.1 Benefits are known
    - 3.1.2 Barriers are identified
    - 3.1.3 Plans are developed
  - **3.2 Processes to implement the plan for realizing benefits**
    - 3.2.1 A strong team is put in place to carry out the plan
    - 3.2.2 There are good project management practices
    - 3.2.3 Measuring and reporting standards are developed
  - **3.3 Processes to deliver and support the plan for realizing benefits**
    - 3.3.1 Agreement or contract signed on planned work
    - 3.3.2 Existing procedures are assessed and new procedures are agreed to
    - 3.3.3 New procedures are documented
    - 3.3.4 Employees are properly trained
    - 3.3.5 Problem and support management is implemented
    - 3.3.6 Performance measures are established
    - 3.3.7 Sign-off on work completed
  - **3.4 Processes to monitor the results achieved**
    - 3.4.1 Prompt reporting of results – outcomes
    - 3.4.2 Prompt reporting of results – outputs
    - 3.4.3 Independent assurance
    - 3.4.4 Assessment of results

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Main points

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a large and complex company. It has diversified the services it provides because of changes in the telecommunications industry.

SaskTel operates its business through separate companies, as opposed to as divisions within SaskTel itself. Using separate companies poses risks to transparency and good governance. It is important that SaskTel take appropriate steps to manage those risks.

We assessed whether SaskTel has adequate processes to govern companies that it owns and controls. Although SaskTel's processes are comprehensive and sophisticated, two areas require improvement. We recommend that SaskTel improve how it communicates its governance expectations to the companies. We also recommend that SaskTel improve how it assesses the effectiveness of the boards of the companies.

In addition, where we completed our work, we found the 2003 financial statements of SaskTel and its companies are reliable. They had adequate rules and procedures to safeguard public resources and they complied with authorities governing their activities. At the date of this report, the audits of two companies - Navigata Communications Inc. Pension Plan and Retx, Inc. are not done. We will report those results in a future report.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) provides telephone, cell phone, internet, and e-business services.[1] It maintains investments in companies that provide a variety of products and services around the world. For information on SaskTel's investments in companies, see SaskTel's web site at http://www.sasktel.com/.

In recent years, SaskTel has diversified the services that it provides. It has expanded into new lines of business because it expects its local telephone and long distance services will continue to become smaller.

Audit conclusions and findings

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audits of SaskTel and its following agencies:

- Saskatchewan Telecommunications and its related pension plan, Saskatchewan Telecommunications Pension Plan
- DirectWest Publishing Partnership
- SecurTek Monitoring Solutions Inc.
- Navigata Holdings Inc. and its related pension plan, Navigata Communications Inc. Pension Plan.
- Hospitality Network Canada Inc.
- Business Watch International Inc.
- Retx, Inc.
- Saskatchewan Telecommunications International Inc.

We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.* (To view a copy of this report, see our web site at http://www.auditor.sk.ca/.)

As described below, at the date of this report, the audits of Navigata Communications Inc. Pension Plan and Retx, Inc. are not fully done. We will report the results of these audits in a future report.

In our opinion for the completed audits, for the year ended December 31, 2003:

- **The financial statements of SaskTel and each of the above listed agencies are reliable.**

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[1] We refer to Saskatchewan Telecommunications Holding Corporation as SaskTel for ease of reference.

- **SaskTel and each of the above listed agencies had adequate rules and procedures to safeguard public resources.**
- **SaskTel and each of the above listed agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

For Navigata Communications Inc. Pension Plan, the audit of the financial statements is done. However, the audit of the adequacy of the Plan's rules and procedures to safeguard public resources and its compliance with authorities governing its activities is not yet complete.

For Retx, Inc., we work with Grant Thornton LLP, the appointed auditor, to carry out the audit of Retx, Inc. The audit of Retx, Inc. is not done.

In the next section, we describe matters related to improving governance at SaskTel. In Chapter 18 - Pensions, we discuss our planned work on the SaskTel Pension Plan's annual report.

Assessing governance

The objective of our audit was to assess whether SaskTel has adequate processes to govern companies it owns and controls.[2] We focused on SaskTel's processes at November 30, 2003 to govern the companies listed in Exhibit 1.

Exhibit 1—Operating companies controlled by SaskTel and percentage ownership

Saskatchewan Telecommunications	100.0%
Saskatchewan Telecommunications International, Inc.	100.0%
DirectWest Publishing Partnership	100.0%
Hospitality Network Canada Inc.	94.1%
SecurTek Monitoring Solutions, Inc.	100.0%
Navigata Communications Inc.	100.0%
Business Watch International Inc.	94.3%
Retx, Inc.	91.7%

(Source: Saskatchewan Telecommunications Holding Corporation Financial Statements, December 31, 2003)

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[2] We use the word company to include incorporated businesses and partnerships.

In our audit, we used the following definition of governance from The Canadian Institute of Chartered Accountants.

> Governance means the process and structure used to direct and manage an organization so that it fulfills its mandate. Governance responsibilities include:
> - monitoring the organization's mission, vision and strategy;
> - approving and monitoring the organization's ethical values;
> - monitoring management control;
> - evaluating senior management;
> - overseeing external communications; and
> - assessing the board's effectiveness.[3]

Audit criteria and approach

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

To assess the adequacy of SaskTel's processes to govern its companies, we used the criteria set out in Exhibit 2. We developed the criteria from our review of international literature and the work of other legislative audit offices. SaskTel agreed with the criteria.

Exhibit 2—Audit Criteria

To adequately govern its companies, SaskTel must have processes to:

1. communicate governance expectations to company boards

   Consider
   - 1.1 provide guidance to companies
   - 1.2 communicate company obligations clearly
   - 1.3 require companies to document key governance practices

2. assess company board effectiveness

   Consider
   - 2.1 identify governance-related risks
   - 2.2 review governance activities based on risk assessment

3. monitor performance of companies

   Consider
   - 3.1 require regular performance reports (e.g., activities, risks, financial and non-financial information)
   - 3.2 review performance information regularly

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[3] Canadian Institute of Chartered Accountants (1995). pp.2-3.

4. take follow-up action to promote consistent governance

   Consider

   4.1 provide feedback to company boards

   4.2 verify company boards take necessary action

   4.3 make necessary changes to improve governance

Complex corporate structure

SaskTel operates many of its businesses through separate companies. It has a complex structure.

At December 31, 2003, SaskTel owned all or part of 17 companies (i.e., 14 corporations and three partnerships) that had active operations in the year. It had a controlling interest in 11 of these companies in that it was the sole shareholder of five and owned more than 50 per cent of six. In addition, SaskTel owned 34 other companies that had no active operations in 2003. (For additional detail on these companies, refer to the Notes to the December 31, 2003 Financial Statements contained in *SaskTel 2003 Annual Report*.)

SaskTel does not operate all of its businesses as separate companies. It operates some businesses within its own corporate structure, as operating divisions (for example, SaskTel Mobility).

Choosing to operate through separate companies

Choosing to operate a business as a separate company as opposed to as an operating division is a management decision. There can be many reasons to use a separate company to operate a business. These include the fit of the business with existing business lines, the method or timing of the acquisition, the ease of carrying on business in certain jurisdictions, the need to manage risks such as exposure to legal liability, and for acquired entities, the tax status of the entity.

The decision to use a separate company carries with it certain responsibilities and duties. There are legal responsibilities and duties for those who manage, those who own (the shareholders), and those who govern on behalf of the shareholders (the board).

In addition to additional responsibilities, the use of a separate company also involves additional risks. These risks can vary depending on the level of ownership. Having controlling interest in another company can provide a company with greater opportunity to manage associated risks.

A risk that often accompanies complex organizational structures is the loss of transparency. A complex structure can make it hard to figure out who owns what and who is responsible for what.

There are additional considerations for Crown corporations that use separate companies to carry out business. Special laws govern Crown corporations. These laws can restrict the nature or extent of business of the Crown corporation. For example, SaskTel is limited to the business of telecommunications under *The Saskatchewan Telecommunications Act*.

These laws typically require the Crown corporation to seek specific approval for certain transactions within specific timeframes. For example, SaskTel must obtain the prior approval of Cabinet when it plans to buy land worth more than $100,000.[4] Unlike the private sector, the Crown corporations can only do what their governing laws permit.

In addition to laws, Crown corporations are also subject to government policies. For example, Crown Investments Corporation of Saskatchewan (CIC) sets policies to which SaskTel is subject.

When a Crown corporation creates or buys another company to carry out its business, it must take steps to ensure that company's activities do not exceed its own authority. This is a more difficult task where the Crown corporation does not own all of the shares of that company. In these cases, the wishes and interests of the other owners may not be the same as those of the Crown corporation.

The separate companies used to carry on business are one step removed from the direct control of the parent company. They have the legal ability to enter into contracts independent of their parent. They may make decisions that are not consistent with the direction, the values, or authority of the parent company. These decisions can be difficult to reverse and can be costly.

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[4] *The Saskatchewan Telecommunications Act*, subsection 11(3).

The Government has encountered challenges in this area. For example, in 1998, we reported that Channel Lake undertook activities that exceeded the limits placed on it by its parent company, SaskPower.[5]

CIC subsequently set policies for governance of companies that are wholly owned by Crown corporations. These policies are in part a response to limit how Crown corporations use these companies. CIC has stated that wholly owned companies are subject to "…the same level of authorization and governance standards…as are applied to the parent Crown in accordance with the approved CIC Crown Governance model."[6]

Conclusion and recommendations

During the last several years, SaskTel has responded to the increased focus on governance in the private and public sectors. SaskTel has made, and continues to make, significant improvements in its processes to govern companies it owns and controls. SaskTel's processes to govern these companies are comprehensive and sophisticated.

We conclude that at November 30, 2003, SaskTel had adequate processes to govern companies it owns and controls except for the matters reflected in the following recommendations.

1. **To improve its processes to communicate governance expectations to companies it owns and controls, we recommend that Saskatchewan Telecommunications Holding Corporation:**

    - **ensure that the board of each company has current written terms of reference;**

    - **highlight, for example in corporate policy, that the SaskTel Board has delegated to the President of SaskTel its authority to name the board members of SaskTel's companies; and**

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[5] 1998 Fall Report – Volume 2, Chapter 21. Also, the final report of the Standing Committee on Crown Corporations into the Channel Lake Inquiry was tabled October 15, 1998.

[6] CIC Governance Policy for Crown Held Subsidiaries, May 2002, p.1.

- **ensure that companies it controls, or plans to control, are subject to shareholder agreements and articles of incorporation that reflect the governance expectations placed on SaskTel.**

2. **To improve how it assesses the effectiveness of the boards of companies it owns and controls, we recommend that Saskatchewan Telecommunications Holding Corporation:**

   - **document the governance risks and identify levels of governance risk that are acceptable for each company;**
   - **require each company board to evaluate its senior management at least annually; and**
   - **require each company to provide the SaskTel Board with its evaluation of its board.**

Key findings (by criteria)

In this section, we set out our expectations (in italics) for each of the criteria, together with our key findings. We describe the processes SaskTel used to govern companies it owns and controls (companies).

Communicate governance expectations to company boards

To share its governance expectations with the boards of companies it owns and controls, we expected SaskTel would:

- *provide guidance to companies regarding the expected governance structure and the authority of key parties;*
- *clearly communicate company obligations that would be aligned with SaskTel's own responsibilities; and*
- *require companies to document their key governance practices.*

SaskTel manages its governance risks by placing its own senior management on the boards of its companies. By using this approach, SaskTel has chosen, for the most part, to treat the companies in a similar manner to how it treats an internal division.

The President and CEO (President) of SaskTel names members to the boards of the companies. The Board of SaskTel delegated this authority to the President. In some cases, shareholder agreements also provide for the appointment of outside Board members (e.g., to represent minority shareholders).

The use of SaskTel senior management to serve as company board members accomplishes a number of important purposes. It provides a communication mechanism that helps ensure that companies receive and clearly understand SaskTel's expectations (including corporate values, direction, and performance expectations). This communication mechanism also helps inform SaskTel of company performance. Further, it provides SaskTel with ready means of making changes at companies.

SaskTel should take steps to better document its governance practices and those of its companies. As noted, the Board of SaskTel has delegated to SaskTel's President its authority to name the board members of companies. The Board noted this delegation in its minutes. Unlike other key board direction, it is not otherwise documented.

This delegation is a central feature of how SaskTel governs its companies. The delegation should be clearly and prominently set out with the other high-level board policies that impact governance. It is important that agencies document key board decisions with long-term implications beyond noting them in a board minute. Reflecting such decisions in board or corporate policies reduces reliance on corporate memory. It helps ensure that the necessary parties know and understand the decision, and subject the decision to periodic reassessment.

Where SaskTel is not the sole shareholder, SaskTel depends on shareholder agreements and articles of incorporation to set the company governance structure and expectations. SaskTel must ensure that the agreements and articles of incorporation are sufficiently robust to limit company activities to what SaskTel can do under law. These must also be capable of ensuring that expectations of SaskTel (e.g., that certain information must be made available to the Legislative Assembly) appropriately flow to the company.

Due to confidentiality clauses in shareholder agreements, two companies do not currently give their audited financial results to the Legislative

Assembly even though SaskTel now owns over 90 per cent of each. SaskTel entered into these shareholder agreements when its level of ownership in these companies was significantly lower.

SaskTel has adopted CIC's governance policies for all of its companies even though CIC's policies are designed for only wholly owned companies. In addition, SaskTel has aligned the authority of each company with its own authority. It has made key SaskTel policies, such as final approval policies on spending, applicable to its companies.

Typically, the authority granted to each company is equal or less than that of the most senior member of SaskTel management assigned to its board. This process helps ensure the companies' activities do not exceed SaskTel's powers and authorities. It is notable that SaskTel's policies explicitly apply not only to wholly owned companies, but also to employees and officials who serve on boards of controlled companies that SaskTel does not wholly own.

At the time of our audit, SaskTel had given one wholly owned company spending authority equal to that of SaskTel's President without seeking the required approval of the Board of SaskTel. This delegation was a departure from SaskTel's policy. SaskTel later rectified the delegation.

In addition, SaskTel establishes Governance Teams (comprised of SaskTel staff with specific skill sets) for each company. The Governance Teams work closely with the companies to convey SaskTel's expectations. While SaskTel does not change the composition of the board of the company based on the risks a company faces, it expects the Governance Team to vary the nature and level of its involvement based on this assessment.

At the time of our audit, SaskTel's Board and committees had maintained current and clear terms of reference that included oversight over SaskTel's companies. However, not all the company boards had documented their terms of reference.

SaskTel should ensure that each company board maintains current documented terms of reference. Documented terms of reference permit SaskTel to confirm that its governance expectations are reflected at the companies. At November 30, 2003, SaskTel is in the process of ensuring that all company boards have terms of reference; it expects the process to be complete in 2004.

Assess company board effectiveness

To monitor governance activities at the boards of companies SaskTel owns and controls, we expected SaskTel would identify governance-related risks and would regularly confirm levels of acceptable risk. It would review company governance activities, based upon its assessment of risk. Its review would include evaluating the consistency of company governance with SaskTel's policies and directives.

SaskTel discusses the governance structure of each of its companies with SaskTel's Board. This is typically done when SaskTel makes the initial investment in the company, or when significant changes occur.

SaskTel assesses risks related to the companies. It focuses on the risk of the companies not achieving their approved goal. SaskTel does not explicitly document governance-related risks (e.g., the effect of business risks on the ability to oversee management, quality of board, motivation factors). Explicit documentation of these risks would help SaskTel's Board to challenge whether steps to reduce governance-related risks are adequate and whether the remaining levels of risk are acceptable.

SaskTel uses the Governance Teams to evaluate whether its companies comply with CIC's governance policies. SaskTel reports annually on the companies' compliance to its Board through the Governance Committee. For the companies that it controls but does not fully own, SaskTel has begun to evaluate compliance with CIC's policies. At the time of the audit, the Governance Committee had not yet reviewed this evaluation.

In addition, SaskTel uses its internal audit function to review and evaluate key risk areas for both SaskTel and its companies. Internal audit provides SaskTel management and the Board with independent assessments of risks associated with the companies and, from time to time, with assessments of company governance. Internal audit assessed the governance of two wholly owned companies. Their results are consistent with our findings.

Formal periodic evaluations of senior management and boards help ensure boards and senior management fulfill their roles and responsibilities. SaskTel has processes to formally evaluate its Board and senior management annually.

At November 30, 2003, not all of the companies had a formal evaluation process for their board and senior management. SaskTel is currently in the process of ensuring each company has such a process. It expects evaluations will occur annually. SaskTel has not specified that its Board should receive the results of all company board evaluations. It should do so.

Monitor performance of companies

To monitor the performance of companies SaskTel owns and controls, we expected the following. SaskTel would require regular performance reports. SaskTel would balance the nature, timing, and extent of the information with its assessment of risk. It would review performance information regularly, challenging the quality of information provided by companies.

The SaskTel Board, through its Corporate Growth and Audit Committees, and SaskTel management, through its Executive Committee, both monitor the performance of the companies. The Executive Committee is comprised of SaskTel senior management.

The committees regularly receive and challenge information regarding SaskTel's companies. This includes business plans, risk assessments, and financial and non-financial results. The committees compare actual results to planned results.

These committees monitor risk through quarterly risk assessments. The risk assessments include the activities of the companies and focus on risks that impact SaskTel's ability to achieve its approved plan. The achievement of SaskTel's plan depends on the companies achieving their approved plans.

The risk reports list specific risks and steps taken to lessen those risks. The reports do not describe what levels of risk are acceptable for each company. Thinking about the levels of risk that are acceptable helps agencies decide on what steps are reasonable to reduce specific risks.

In addition, the SaskTel Board's Corporate Growth Committee reviews each company's quarterly financial results and annual financial statements. The Board's Audit Committee also receives these reports to help it fulfil its oversight role. These formal reviews help the Board to monitor the companies' activities and oversee external communications.

SaskTel's senior management balances the nature and timing of company reporting with risk. Where there is more risk associated with the company, senior management requires the company to provide more frequent and extensive information. In addition, when risks increase, the involvement of the related Governance Team increases.

SaskTel's Board and Executive Committee approve the release of money for investment in companies. This approval allows SaskTel to further monitor the activities of the companies and ensure they continue to align with SaskTel's direction.

Take follow-up action to promote consistent governance

To take follow-up action to promote consistent governance, we expected SaskTel would:

- *provide feedback to boards of companies it owns and controls to indicate how the companies should modify their governance practices;*
- *verify that these boards take necessary action; and*
- *make changes, as necessary, to improve governance of these companies.*

SaskTel's senior management, through the Executive Committee, provides regular feedback to the board of each company. With senior management serving as company board members, SaskTel has the opportunity to provide the companies with direct feedback and prescribe corrective action. The President of SaskTel also evaluates SaskTel senior management in their role as company board members.

In addition, the SaskTel Board uses its various committees to provide feedback to the companies, follow up on actions required, and make necessary changes. For example, the Board's Corporate Growth Committee provides advice and feedback on governance structures for companies.

As noted, management's Governance Teams work closely with companies. The Teams provide an additional source of information both to companies about SaskTel's desired changes and to SaskTel about company action in response to SaskTel's guidance.

Formal evaluations of the boards of its companies will provide SaskTel with additional information and insight into company governance practices. It is important that the SaskTel Board receive the results of these evaluations to ensure that necessary adjustments are made.

By making changes to respond to governance risks, SaskTel will promote consistent and effective governance of the companies it owns and controls.

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Saskatchewan Government Insurance

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Main points

This year, we looked at the processes Saskatchewan Government Insurance (SGI) uses for managing its sales force. That is, its brokers. We expected SGI would have adequate processes to:

- determine how many brokers it needs, and to appoint and terminate brokers when necessary;
- ensure its brokers have operational policies and procedures; and
- ensure its brokers comply with the signed agreements.

We found that SGI's practices for managing its brokers were adequate. The chapter describes our performance expectations of SGI and our detailed findings.

In this chapter, we also describe the results of our audit of Saskatchewan Government Insurance (SGI) and the companies it owns, Saskatchewan Auto Fund (SAF), and Saskatchewan Government Insurance Superannuation Plan (SGI Plan) for the year ended December 31, 2003. SGI manages SAF and sponsors SGI Plan.

We concluded that the financial statements for SGI, its companies, SAF, and SGI Plan are reliable. They had adequate rules and procedures to safeguard public resources and complied with laws governing their activities.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. SGI created a company called SGI Insurance Services Ltd. (SCISL). SCISL sells property and casualty insurance outside Saskatchewan.

SCISL bought Coachman Insurance Company (Coachman) and Insurance Company of Prince Edward Island (ICPEI). SCISL owns all the issued shares of Coachman and 75% of the issued shares of ICPEI. Coachman and ICPEI sell property and casualty insurance including automobile insurance in Ontario and Prince Edward Island, respectively.

SGI also manages the Saskatchewan Auto Fund (SAF). SAF is Saskatchewan's compulsory auto insurance program. SAF receives money from the motoring public and pays claims. SAF does not receive money from, nor pay dividends to the General Revenue Fund.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Plan). The SGI Plan is a defined benefit pension plan (closed to new members in 1978). The SGI Board is responsible for administration of the SGI Plan under *The Pension Benefits Act, 1992*. The primary objective of the SGI Plan is to provide pensions to SGI's retired employees and to the dependants of deceased pensioners and employees. SGI provides day-to-day management of the SGI Plan.

SGI's annual report includes its consolidated financial statements for the year ended December 31, 2003. Those statements report revenue of $260.6 million, net profit of $21.2 million, total assets of $482.3 million, and retained earnings of $37.5 million.

SCISL's annual report includes its consolidated financial statements for the year ended December 31, 2003. Those statements report revenue of $52.2 million, net profit of $1.3 million, total assets of $127.9 million, and a deficit of $12.9 million.

Coachman's annual report includes its financial statements for the year ended December 31, 2003. Those statements report revenue of $32.9 million, net profit of $0.3 million, total assets of $87.7 million, and a deficit of $16.1 million.

ICPEI's annual report includes its financial statements for the year ended December 31, 2003. Those statements report revenue of $9.5 million, net profit of $0.7 million, total assets of $21.8 million, and retained earnings of $0.2 million.

SAF's annual report includes its financial statements for the year ended December 31, 2003. Those statements report revenue of $541.3 million, a net increase to the rate stabilization reserve (net profit) of $11.5 million, total assets of $990.5 million, and a rate stabilization reserve of $14.3 million.

The SGI Plan's annual report includes its financial statements. Those statements report contributions from employees totalling $0.1 million, and pensions and refunds totalling $3.5 million. At December 31, 2003, it held assets of $50.7 million and owed accrued pension benefits of $50.4 million.

Our audit conclusions and findings

Our Office worked with KPMG LLP, the appointed auditor for SGI, SAF, SCISL, Coachman, ICPEI and the SGI Plan using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/). Our Office and KPMG formed the following opinions.

In our opinion for the year ended December 31, 2003:

- **the financial statements of SGI, SAF, SCISL, Coachman, ICPEI, and the SGI Plan are reliable;**
- **SGI , SAF, SCISL, Coachman, ICPEI, and the SGI Plan had adequate rules and procedures to safeguard public resources; and**
- **SGI, SAF, SCISL, Coachman, ICPEI, and the SGI Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

In 2003, we decided to examine the adequacy of SGI's processes to manage its brokers to sell its insurance products. We examined SGI's systems and practices for the year ended December 31, 2003. For this part of our work when we use the abbreviation SGI it includes SGI, SCISL, Coachman, and ICPEI.

We concluded that for the year ended December 31, 2003, SGI had adequate processes to manage its brokers. In the next section, we provide information about the scope of our work, the criteria we used to do our work, and our detailed findings.

Broker management

The Saskatchewan Government Insurance Act, 1980 allows SGI to sell property and casualty insurance. SGI relies on a network of approved brokers to sell its insurance products. These approved brokers are SGI's insurance sales force. SGI uses about 330 brokers in Saskatchewan and about 150 brokers outside Saskatchewan to generate premium revenue of over $240 million for SGI. Some of these brokers also act as issuers of licences for vehicles and drivers in the Province. To ensure its insurance products continue to meet ever-changing needs of the insuring public, SGI works closely with its brokers to obtain advice on the changing needs of consumers.

SGI's mandate is to provide quality and affordable insurance products to the public. To fulfil its mandate, SGI needs to manage effectively its brokers to sell its products. Effective management of brokers helps ensure that brokers provide sound insurance advice to clients and sell insurance within authorized limits. When clients do not receive sound insurance advice, they may not have appropriate insurance coverage. This could result in clients losing confidence in SGI. Also, if brokers submit requests for insurance for imprudent risks or for insurance beyond their authorized limits, SGI will deny insurance coverage. This could result in clients losing confidence in the brokers and SGI.

Effective management of its brokers also helps ensure SGI's insurance products keep pace with changing public needs and SGI knows its insurance risks (i.e., exposure to loss).

Our objective

The objective of the audit was to assess whether SGI has adequate processes to manage its brokers to sell its insurance products. We examined SGI's processes for the year ended December 31, 2003.

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria

Auditors use criteria to evaluate the matters that they examine. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices. To complete our audit, we developed the criteria listed in the Exhibit based upon our review of relevant literature and best practices. SGI agreed with our criteria.

Exhibit

To adequately manage its insurance brokers, SGI needs to have systems and practices to:

- Determine the number and class of insurance brokers it needs to sell its insurance products.
- Appoint and terminate brokers when necessary.
- Regularly ensure the adequacy of brokers' operational policies and procedures.
- Regularly ensure its brokers comply with the signed agreements.

Our detailed findings

We describe our detailed findings for each criterion below. For each criterion, we set out what we expected (in italics) and what we found.

Determine the number and class of insurance brokers it needs to sell its insurance products

We expected SGI would have processes to:

- *determine the number and class of brokers it needs and where; and*
- *select appropriate brokers.*

Currently, SGI approves only those brokers in Saskatchewan who purchase existing brokers' businesses and new First Nations brokers to operate on First Nations' reserves. SGI has not formally documented how many and what class of First Nations' brokers it needs and where.

SGI, like other insurance companies, looks for ways of spreading its insurance risk. When insurers sell policies in one geographical area, they face the risk of high losses in case of a catastrophe. High losses result in higher premiums. The higher premiums may result in loss of future business to competitors.

To manage this risk, SGI establishes annual targets for spreading insurance risks outside the Province. The targets set out planned increases in out-of-province insurance premiums for the year. Management uses these targets to plan strategies to expand in other provinces. Expansion in other provinces requires SGI to appoint additional brokers in those provinces. SGI could improve how it documents how many and what classes of brokers it needs to meet its expansion targets.

To ensure its brokers can contribute to SGI's objectives, SGI must ensure all new brokers are licensed and their long-term plans are consistent with SGI's plan. SGI must also ensure the brokers have a history of doing business with other insurance companies and have adequately trained staff.

SGI has established a checklist that it uses to select brokers. The checklist requires that brokers are licensed, brokers' staff have adequate training and skills, and the brokers have adequate errors and omissions insurance coverage.[1] We found that SGI generally completed all required steps when selecting new brokers. Also, SGI interviewed new brokers and assessed new brokers' long-term plans and their current and projected financial results. SGI could improve how it documents its interviews with new brokers, assessments of new brokers' long-term plans, and their history of business relationships with other insurance companies.

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[1] Errors and omissions coverage provides brokers protection against claims arising from negligent acts, errors, and omissions in the conduct of business.

Appoint and terminate brokers when necessary

We expected SGI would have processes to:

- *make security checks and to assess brokers' financial integrity including any necessary credit checks;*
- *ensure appropriate pay for the brokers;*
- *ensure a formal signed agreement exists with brokers setting out the role of brokers and SGI; and*
- *terminate brokers who do not perform as expected or for other reasons.*

SGI has processes for checking the financial integrity of new brokers. SGI reviews new brokers' past financial statements and seeks credit reports from credit agencies. SGI's security checks also include contacting other insurance companies and the Saskatchewan General Insurance Council (the Council that regulates brokers), and reviewing SGI's files for concerns about brokers and their key staff. SGI could improve how it documents in the files its discussion with other insurance companies and the Council. It could also improve how it documents security and integrity checks for new brokers.

SGI uses written agreements to set out the roles and responsibilities of brokers. These agreements set out the brokers' authority to bind SGI, types of insurance policies the brokers can offer, brokers' pay, and brokers' responsibilities for collecting and remitting premiums. The agreements also set out conditions that may result in SGI ending the agreements.

SGI has processes to ensure it pays brokers the rates set out in the brokers' agreements. Also, SGI has processes to take action when brokers do not follow the terms of the agreements.

Regularly ensure the adequacy of brokers' operational policies and procedures

We expected SGI would have processes to:

- *train brokers about SGI products so that brokers know the insurance products and any coverage limitations;*
- *ensure brokers have processes to provide prompt notification to the insured about cancellation or non-renewal of existing policies, industry or legislative changes affecting coverage, and any inadvertent cancellation and failure to renew;*
- *ensure brokers have processes to promptly notify SGI about requested policy cancellation, revision of coverage, inadvertent delays in processing insurance policies, and any fraud, misrepresentation or illegal acts by the insured or brokers' staff;*
- *ensure brokers follow SGI's insurance policy sales guidelines;*
- *regularly receive and consider public advice from brokers on SGI's insurance products and their comparability to products offered by other insurers; and*
- *ensure brokers have adequate errors and omissions insurance coverage.*

To explain its insurance products, SGI provides training to its brokers both in person and through the internet. SGI also provides pamphlets to its brokers that help them explain SGI's insurance products to customers.

To ensure brokers have adequate operational policies and procedures, SGI provides its brokers with manuals. The manuals set out what information the brokers need to gather from the customer, who is eligible for coverage for each type of insurance policy, coverage and deductibles, and how to compute the premium rate. SGI expects its brokers to follow those processes when selling SGI's insurance policies.

In addition, SGI provides its brokers with SGI's insurance policy processing guidelines. These guidelines describe circumstances that brokers must promptly communicate to SGI and the insured. SGI has processes to ensure that brokers promptly inform SGI about cancellation or non-renewal of existing policies.

SGI requires brokers to inform the insured about any industry or legislative changes affecting coverage or any inadvertent cancellation and failure to renew. SGI annually surveys customers in Saskatchewan who cancelled insurance policies with SGI. SGI uses the results of these surveys to help determine product changes and to evaluate brokers' communication with customers. Management told us that SGI plans to develop similar surveys for its out-of-province customers. In 2003, SGI sold to out-of-province customers insurance products representing total insurance premiums of approximately $45 million. Also, SGI meets with brokers to discuss SGI's products and suggestions for changing the products.

SGI reviews all insurance applications it receives from brokers. The review process ensures that brokers comply with SGI's policy processing guidelines. In those cases when SGI determines a broker did not fully comply with those guidelines, SGI discusses the non-compliance with the broker and provides guidance on how to handle such applications in the future.

SGI requires its brokers to maintain adequate errors and omissions (E&O) insurance coverage. The Saskatchewan General Insurance Council (Council) is responsible for administering *The Saskatchewan Insurance Act* relating to licensing brokers. The Council requires licensed brokers to maintain a prescribed level of E&O insurance coverage. SGI requires its brokers to provide information about their E&O coverage at the time of their initial appointment. To ensure its brokers maintain the required coverage, SGI reviews regular Council bulletins that list suspended or cancelled brokers for reasons including lack of adequate E&O insurance coverage. To ensure its out-of-province brokers maintained adequate coverage, SGI follows the same practice of reviewing bulletins of the Council or its equivalent in other provinces.

Regularly ensure brokers' comply with the signed agreements

We expected SGI would have processes to:

- *verify brokers continue to be licensed;*
- *ensure timely receipts of money and information about policies sold by brokers and to investigate reasons for delays;*
- *ensure brokers comply with operational policies and procedures;*
- *ensure brokers submit insurance requests for policies within their limits;*

- *evaluate the performance of brokers against established performance targets; and*
- *report regularly to management and the Audit and Finance Committee on the adequacy of the SGI's systems and practices to manage its insurance brokers.*

As stated earlier, SGI regularly reviews bulletins from the Saskatchewan General Insurance Council and its equivalent authority in other provinces and takes necessary action. In those bulletins, the authorities identify brokers who are suspended or no longer have licences.

SGI has processes to identify brokers who do not pay promptly or provide information about policies late. SGI reviews monthly broker reports showing premiums or information past due. SGI acts to collect premiums owing from brokers. We found that generally brokers submitted the required information promptly.

SGI requires its brokers to comply with operational policies and procedures that SGI provides to brokers. SGI has processes to ensure that brokers do so. Upon receipt of an insurance application or changes to an existing insurance policy, SGI reviews the information package. SGI ensures the insurance risks are acceptable and within the broker's limits, premiums are correct, and the application includes all relevant information (e.g., age and condition of property being insured). SGI may not issue an insurance policy if brokers exceed the authorized limit or if the insurance risk is unacceptable.

Annually, SGI sets performance targets for its brokers. These targets include the type of business, sales, loss ratios, and prompt payment of premiums. SGI regularly monitors brokers' performance against these targets. SGI determines brokers' annual bonuses based on this performance evaluation. To help determine if it deals fairly with brokers, SGI does an annual survey of brokers and makes changes to its evaluation process if necessary.

Management receives regular financial and operational reports. Those reports are timely and include relevant information. Management provides the Audit and Finance Committee of the Board of Directors information about broker management on an exception basis only. Management does so because the Board has not established and documented its reporting needs for broker management. To ensure the Board receives the information it needs to oversee this part of SGI's operation, it should document and communicate to management its information needs.

Crown Investments Corporation of Saskatchewan

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Main points

In this chapter, we report the results of the audits of Crown Investments Corporation of Saskatchewan (CIC) and the Capital Pension Plan (Plan) for the year ended December 31, 2003.

We concluded that the financial statements of CIC and the Plan are reliable. CIC had adequate processes to safeguard public resources and it complied with the authorities governing its activities except for two matters where clarification of the law is required. The Plan had adequate processes to safeguard public resources and it complied with the authorities governing its activities.

The Government should clarify the law to require CIC and its subsidiaries to get Order in Council approval before buying and selling real property through a subsidiary. Also, CIC should review the limits over which CIC and its subsidiaries must get Cabinet approval to buy and sell real property. It should seek changes where appropriate.

CIC should have its Act clarified, so that its stated mission of enhancing economic development in Saskatchewan is consistent with its legislation.

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for Crown corporations such as Saskatchewan Power Corporation, Saskatchewan Telecommunications, and SaskEnergy Incorporated. CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. CIC's Board provides advice about them to Executive Council (Cabinet). CIC also manages the Capital Pension Plan (the Plan).

CIC's 2003 Annual Report contains two sets of financial statements. The first set shows CIC's financial results consolidated with its subsidiaries. The second set shows the financial results of CIC, the legal entity. The Legislative Assembly asked CIC to prepare the second set of financial statements to provide additional information on how CIC managed the assets entrusted to it by the Assembly.

CIC's 2003 consolidated financial statements show it had revenue of $3.8 billion, net income of $347 million, and held assets of $7.9 billion.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for CIC and the Plan for the year ended December 31, 2003. Our Office worked with CIC's appointed auditor, KPMG LLP, to form our opinions using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view this report, see our web site at http://www.auditor.sk.ca/). Our Office and KPMG LLP formed the following opinions.

In our opinion:

- **the financial statements of CIC and the Plan are reliable;**
- **CIC and the Plan had adequate rules and procedures to safeguard public resources;**
- **CIC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue**

raising, spending, borrowing, and investing, except for two matters where clarification of the law is required; and

- **the Plan complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

Approval to buy and sell real property

CIC and most of its designated subsidiary Crown corporations[1] need Order in Council approval to buy and sell real property (land) when the amount exceeds a set limit.

Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.), is wholly owned by CIC. Investment Saskatchewan Inc. was designated as a subsidiary Crown corporation on September 12, 2003, without any requirement to obtain an Order in Council before purchasing and selling real property. Prior to September 12, 2003, it was subject to CIC's limit, i.e., it needed Order in Council approval to buy and sell land over $200,000. Accordingly, Investment Saskatchewan Inc. obtained the necessary approval when it sold potato storage facilities over $200,000 prior to that date through its wholly owned subsidiary, Saskatchewan Valley Potato Corporation.

After September 12, 2003, Investment Saskatchewan Inc. sold a potato storage facility for $900,000 through Saskatchewan Valley Potato Corporation. However, CIC officials told us that no Order in Council approval was obtained for this sale because no limit has yet been set for Investment Saskatchewan Inc.

CIC owns all of Investment Saskatchewan's common shares. In our opinion, a subsidiary of a parent company does not have greater powers than its parent. If a parent company could simply incorporate a subsidiary company to do something that the parent itself is not permitted to do, it would defeat the purpose of the Legislative Assembly imposing any limitations on the parent.

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[1] A corporation (e.g., Saskatchewan Power Corporation, and Investment Saskatchewan Inc.), that is designated by Order in Council as a subsidiary Crown corporation of CIC, and subject to *The Crown Corporations Act, 1993*.

In our 2001 Spring Report, we reported that Saskatchewan Valley Potato Corporation purchased real property valued at $5 million without Order in Council approval. We recommended that the Government should clarify the law to require CIC and its Crown corporations to get Order in Council approval before buying and selling real property through a subsidiary. The Standing Committee on Crown Corporations asked CIC to review its procedures and prepare a report on changing the legislation. CIC has not yet responded to the Committee's request.

In addition, CIC and its subsidiaries have varying limits over which they must get approval to buy and sell real property. They should be required to get the same approvals unless there is appropriate rationale for different limits.

1. **CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary. CIC should seek changes where appropriate.**

CIC's Act needs clarification

During 2003, CIC participated with the Department of Industry and Resources in paying for the Government's "Our Future is Wide Open" advertising campaign. CIC paid $2 million (2002-$0.7 million) of the campaign's costs. Management told us that these expenditures were necessary for CIC to fulfil its stated mandate of enhancing economic development in Saskatchewan.

CIC's authority is limited to the provisions in its governing legislation. CIC's objects and purposes are set out in *The Crown Corporations Act, 1993* (the Act). They are as follows:

- CIC is the holding company for all subsidiary Crown corporations and shall exercise its supervisory powers granted by this Act in the interests of all Saskatchewan residents; and
- CIC is the agency for making and administering, on behalf of the Government of Saskatchewan, the investments authorized by this Act or any previous *Crown Corporations Act*.

CIC's 2003 Annual Report states that its mission includes enhancing Saskatchewan's long-term economic growth and diversification through Crown corporations. However, the Act does not explicitly state that this is CIC's mandate. It is not clear whether making expenditures for the general purpose of enhancing economic development is consistent with CIC's objects and purposes. Accordingly, it is not clear whether CIC has the authority to make expenditures related to broad advertising campaigns, such as the "Our Future is Wide Open" campaign.

2. **CIC should ensure its stated mission and its legislation are consistent.**

In April 2004, the Government introduced amendments to *The Crown Corporations Act, 1993*. One amendment to CIC's powers provides that "CIC may establish, operate, administer, or manage programs or policies that promote or enhance business opportunities in and for Saskatchewan."

Our work continues

We have not yet completed all of our work regarding the expenditures made by the Government for the "Our Future is Wide Open" campaign. We are examining how this program was co-ordinated by the Department of Industry and Resources and CIC. As part of this work, we are examining whether there is adequate support for payments and what the Government obtained for the money it spent. We will report our findings in a future report.

Standing Committee on Crown Corporations

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Main points

The Standing Committee on Crown Corporations reviews the activities, performance, and reports of Crown corporations. During its review, the Committee can inquire about current matters, future objectives, and past performance. The Committee also reviews significant transactions made by these corporations. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews chapters of our reports concerning Crown Investments Corporation of Saskatchewan (CIC) and related corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. In Exhibit 1, we set out the status of the Committee's outstanding recommendations and indicate whether they are not implemented or partially implemented.

In June 2003, the Committee recommended that CIC and its related corporations disclose additional information about persons who receive money from these corporations and the amounts they receive (see Exhibit 2). For many years, my Office reported on the need for these corporations to improve their accountability by providing more payee information to the Assembly. We congratulate the Committee for making this important improvement to the accountability of Crown corporations.

In April 2003, the Assembly agreed to implement new rules and procedures governing its committees. The responsibilities of the Committee were transferred to the Standing Committee on Crown and Central Agencies. We will continue to work with this new Committee to help it carry out its important responsibilities.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown Corporations. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We highlight some of its recent accomplishments. In addition, in Exhibit 1, we set out the status of the Committee's outstanding recommendations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee. The Assembly refers the annual reports and financial statements of Crown corporations and related agencies to the Committee. The Committee uses these reports to review their operations. In addition, the Assembly refers the Provincial Auditor's reports (or parts of reports) that relate to Crown Investments Corporation of Saskatchewan (CIC) and its agencies to the Committee.

Our Office attends meetings of the Committee to help it in its reviews. The Committee also invites each corporation's appointed auditor to help the Committee in its review.

The Committee focuses on corporations that generate revenues from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through Crown corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Committee also requires Crown corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged by the Crown corporation to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis.

Crown corporation officials (and if requested, the Minister responsible for the corporation) attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Information about the composition of the Committee, as well as records of the Committee's meetings, i.e., Hansard verbatim, minutes, and reports, are available on the Committee's web site (part of the Assembly's web site – http://www.legassembly.sk.ca/committees/).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable Government and in better management of Government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The Committee last met on June 17, 2003. At that time, its members were:

- Harry Van Mulligen, Chair
- Pat Atkinson, Vice-Chair
- Greg Brkich
- David Forbes
- D.F. (Yogi) Huyghebaert
- Carolyn Jones
- Don McMorris
- Peter Prebble
- Kim Trew
- Brad Wall

Committee activities

During 2003-04, the Committee met four times. The Committee concluded its review of the 2002 annual report and financial statements of Crown Investments Corporation of Saskatchewan. In addition, it completed its consideration of recommendations 2 and 3 in Chapter 11 of our 2001 Spring Report, which relate to the disclosure of payee information by Crown corporations. On June 18, 2003, it issued its Fifth Report of the 4th Session of the 24th Legislature.

Status of recommendations

The Committee's Reports contain recommendations, some of which will take more than one year to implement. In Exhibit 1, we list recommendations that the Government has not yet fully implemented as at December 31, 2003. They are classified as follows:

1. **Committee (CCC) concurs** – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to follow up on progress made in complying with the recommendations. In the exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

2. **Committee recommends** – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

3. **Committee considered** – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

For each outstanding recommendation, we assess the status of the recommendation and indicate whether it is not implemented or partially implemented using the following criteria:

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Future direction

Increasingly, the Committee's discussions focus on broader issues pertaining to Crown corporations, including strategic plans, key risks to achieving goals and objectives, and performance measurement. We congratulate the Committee for fostering a more open and accountable Government and better management of Government operations. We encourage the implementation of the Committee's recommendations.

In April 2003, the Assembly agreed to implement new rules and procedures governing its activities, including those of its committees. The responsibilities of the Standing Committee on Crown Corporations were transferred to the Standing Committee on Crown and Central Agencies. Information about this Committee is at http://www.legassembly.sk.ca/committees/. We will continue to work with this new Committee to help it carry out its important responsibilities.

Exhibit 1 – Outstanding recommendations

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	CCC considered: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** The Committee asked CIC to review its procedures and report on the pros and cons of changing the legislation in the context of a commercial environment. Further consideration has been deferred as the Committee has not yet received a response to its request.
2001 Spring	CCC concurs: 11.4 The Government should change current laws to: - require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares; and - require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not yet been made.
2002 Spring	CCC concurs: 1.2 SaskPower should establish policies to support a long-term continuous process improvement plan that includes training and support plans for its employees.	**Partially implemented.** SaskPower has begun to implement the policies and strategies it established to promote a process improvement plan.

Report Year	Outstanding Recommendation	Status
2002 Spring	CCC concurs: 1.3 SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports.	**Partially implemented.** SaskPower got an independent assessment of the processes, benefit targets, and measures in Power Production. It has not yet completed a similar assessment in Transmission and Distribution.
2002 3rd Report	The Committee recommends: **1.** The provincial Government consider the recommendation on page 35 of the Dillon Consulting Ltd. report to the Saskatchewan Rate Review Panel. [Dillon suggested that SaskPower consider treating SaskPower International (SPI) as a fully cost-accounted, non-regulated company. Otherwise, SaskPower's ratepayers will be at risk to cover the potential costs of SPI's investments, due to SPI's forecasted losses.]	**Not implemented.** The Committee has not yet received a response from the Government concerning the implementation of this recommendation.
2002 3rd Report	The Committee recommends: **2.** SaskPower undertake a careful and thoughtful analysis of the rapidly changing electrical utility regulatory regimes of other North American jurisdictions, their applicability to SaskPower, its subsidiaries, and its activities in order to minimize risks to SaskPower ratepayers and remove the potential for investment losses by SPI (SaskPower International) therefore putting upward pressure on the rates of SaskPower customers.	**Not implemented.** The Committee has not yet received a response from the Government concerning the implementation of this recommendation.
2002 3rd Report	The Committee recommends: **3.** The provincial Government update the fair wages clause included in Crown corporation tenders per Order in Council No. 301/44, March 23, 1944.	**Not implemented.** The Committee has not yet received a response from the Government concerning the implementation of this recommendation.

Report Year	Outstanding Recommendation	Status
2003 5th Report	The Committee recommends: **1.** The CIC Crown corporations and related agencies that are called to appear before the Standing Committee on Crown Corporations publicly disclose the following payee information to the Standing Committee on Crown Corporations (see Exhibit 2 for categories and thresholds).	**Partially implemented.** In June 2003, the Assembly concurred with the Committee's recommendation that CIC Crown corporations and related entities publicly disclose payee information in specified categories and over specified thresholds. The new practice is in the process of being implemented for the 2003 reporting period.

Exhibit 2 – Recommendation on payee information

In June 2003, the Legislative Assembly concurred with the following recommendation of the Standing Committee on Crown Corporations.

Recommendation: That the CIC Crown corporations and related agencies that are called to appear before the Standing Committee on Crown Corporations publicly disclose the following payee information to the Standing Committee on Crown Corporations:

- **Board expenses**
  A list of amounts paid to and on behalf of each person on the board of a Crown corporation including base retainer, all other remuneration and benefits, and out-of-province travel costs;

- **Ministerial expenses**
  Out-of-province travel expenses for the Minister(s) and ministerial staff undertaken on behalf of the Crown corporation;

- **Employee remuneration**
  A list of all employees and the amounts they were paid for salaries, and other expenses with a minimum threshold of $50,000;

- **Grants, contributions, donations and sponsorships**
  A list of all grants, contributions, donations, and sponsorships with a minimum threshold of $5,000;

- **Payments to consultants**
  Payments to consultants (including legal and advertising fees) totaling over $10,000; and

- **Supplier and other payments**
  A list of payments for goods and services with a minimum threshold of $50,000, except those items and categories where:

  1) there is a legitimate need to protect commercially sensitive information;

  2) disclosure could reasonably be expected to prejudice the competitive position of or interfere with the contractual obligations of the Crown corporation or a third party; or

  3) disclosure is prohibited by law, including the provisions of *The Freedom of Information and Protection of Privacy Act*.

Finance

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Main points

In this chapter, we focus on Finance's important coordinating role to strengthen the Government's accountability to the public. We report steady progress. Continued support from legislators and senior officials will help maintain the momentum.

The 2004-2005 Provincial Budget documents include an overall plan for the Government as a whole. The plan explains many key objectives and shows the financial position of the whole Government. This is an important step in helping legislators and the public monitor the Government's direction and financial position.

Finance has an accountability framework that focuses on results and improves planning and reporting. The framework applies to departments, but not to all Treasury Board agencies. We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results. We also recommend the Government require departments and Treasury Board agencies to publish their targets for major long-term results.

We will continue to monitor the Government's accountability.

We also report the results of our audits of Finance-administered special purpose funds and agencies with years ending December 31, 2003. We found that Finance generally does a good job of managing the funds and agencies.

However, for the Public Employees Dental Fund (Fund), Finance needs to strengthen its processes to track contributions and claims. Finance does not know if each employer fully pays for the enhanced benefits given to its employees. We recommend that Finance strengthen its processes to separately record and track contributions and claims for the Fund.

Introduction

The Department of Finance (Finance) helps the Government manage and account for public money. As part of these duties, Finance administers and is responsible for several special purpose funds and agencies. Finance also has an important coordinating role to help strengthen the Government's accountability to the public.

Special purpose funds and agencies

Finance is responsible for the following special purpose funds and agencies:

Year ended December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Municipal Employees' Pension Commission
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
SaskPen Properties Ltd.[1]

Year ended March 31

General Revenue Fund (GRF)
Fiscal Stabilization Fund[2]
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

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[1] Our office has been denied access to this agency since December 31, 1993 (see Chapter 8 1999 Fall Report – Volume 2 for further discussion of the matter).

[2] Finance does not prepare financial statements for this Fund. As required by *The Fiscal Stabilization Fund Act*, a schedule of transfers and accumulated balance appears in Public Accounts Volume 1.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on the special purpose funds and agencies with years ending December 31, 2003.

In our 2003 Report – Volume 3, we reported on the funds and agencies for the fiscal years ending on or during the year to March 31, 2003.

Our Office worked with Deloitte & Touche LLP, appointed auditor for the Saskatchewan Pension Plan, and Meyers Norris Penny LLP, appointed auditor for the Municipal Employees' Pension Commission. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Appointed Auditors* (to view this report see our web site at http://www.auditor.sk.ca/).

Our office, Deloitte & Touche LLP, and Meyers Norris Penny LLP formed the following opinions:

In our opinion, for the special purpose funds and agencies with December 31, 2003 year-ends, except for SaskPen Properties Ltd:

- **the financial statements for Finance's special purpose funds and agencies are reliable;**
- **Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matter reported below; and**
- **Finance and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

Public Employees Dental Fund

The Public Employees Dental Fund (Fund) accounts for the transactions of the Public Employees Dental Plan (Plan). The Plan promotes good dental health among plan members by reducing members' costs for preventative, routine, and major dental services. Finance through the Public Employees Benefits Agency manages the Fund.

For the year ended December 31, 2003, the Fund had employer contributions of $15.1 million and claims of $15.5 million. At December 31, 2003, the Fund held assets of $12.6 million and had liabilities of $1.3 million.

Recording and tracking of contributions and claims need strengthening

Finance needs to strengthen its processes to track contributions and claims for each component of the Plan. The two components are core benefits and enhanced benefits.

The Plan provides core benefits to employees of all participating employers (i.e. departments, several Crown corporations and various agencies, boards and commissions). The employers pay for these benefits at a fixed percentage of their employees' gross salary.

The Plan also provides enhanced benefits to employees of certain participating employers. Each employer determines the enhanced benefits, if any, it will provide to its employees and the contribution rate. The rates for enhanced benefits depend on the claims experience of each participating employer.

To ensure contributions for each component are used for that component only, Finance must have processes to track the contributions and claims of each component of the Plan separately. Also, it needs processes to track contributions and claims for each participating employer for the enhanced benefits to ensure each employer is paying for the enhanced benefits of its employees.

Because Finance does not have adequate processes to track contributions and benefits for core and enhanced benefits separately, it does not know if each participating employer is fully paying for the enhanced benefits given to its employees.

1. **We recommend that Finance establish processes to separately record and track contributions and claims for core and enhanced benefits of the Public Employees Dental Fund.**

Improving accountability

Background

In our 2000 Spring Report (Chapter 1), we set out the parts of a sound accountability system. In the public sector, strong accountability means:

- clear plans;
- timely, reliable reports; and
- reasonable reviews by the Legislative Assembly of the Government's performance.

The Government actively works to improve accountability. The purpose of this chapter is to describe its progress in using plans and reports for stronger accountability. We focus on the accountability system for departments. We also recommend how the Government could continue to improve accountability.

Governments spend public money to get results for citizens. Citizens are interested in what governments spend, what they do, and the results they obtain—both financial and operational. In the past, governments told citizens about their planned spending, but seldom explained their specific plans or expected results. In annual reports, governments described their activities, but did not explain how their activities made a difference to citizens. Annual reports did not explain results, so the outcome or effect of governments' actions was not clear.

Since the 1980s, many governments focus on results (e.g., Australia, 1985; United States, 1993). When governments focus on results, they use targets to make their plans more specific. The targets show what these governments expect to achieve in terms of results as well as activities. That is, the governments' plans show the outcomes or effects they hope to achieve, as well as explaining what they will do (e.g., quantity of activities, quality of services, types of policies).

Results-oriented systems help governments to account for their activities and results compared to their plans. Focusing on results also helps governments respond more rapidly when results are less than desired. Specific plans make the expected results clear. Specific plans, using targets, help managers watch for early signs of poor results. If given authority to do so, managers can then change tactics to achieve the desired results on time.

Accountability systems in Saskatchewan

In the 1990s, the Government of Saskatchewan chose two main accountability systems. One is for the Crown sector agencies governed by the Crown Investments Corporation of Saskatchewan (CIC). The other is for departments and selected agencies in the Treasury Board sector. Both systems focus on results. Legislators can use information from both systems to make decisions and allocate resources.

In 1996, the Government asked the CIC Crown sector to improve how it reports to the public. CIC leads these improvements. CIC requires the CIC Crown agencies (e.g., SaskPower, SaskTel) to use a "balanced scorecard" approach to plan, manage, and report their results. Since 1998, the public reports of CIC and its Crown agencies explain their results compared to what they planned.

More recently, the Government asked the Treasury Board sector to improve how it reports to the public. The Department of Finance leads these improvements. In 2000, the Government asked departments to focus on results in their plans and reports. In 2002, it extended the new system to two Treasury Board agencies, and in 2003, to a third. The three Treasury Board agencies that use the same accountability system as departments are the Saskatchewan Property Management Corporation, Saskatchewan Liquor and Gaming Authority, and the Saskatchewan Watershed Authority.

Most Treasury Board agencies are not yet included in either of the Government's accountability systems. All agencies that handle public money should use an accountability framework that requires public reports of results. The nature of the framework and the extent of the reports may vary with the agency.

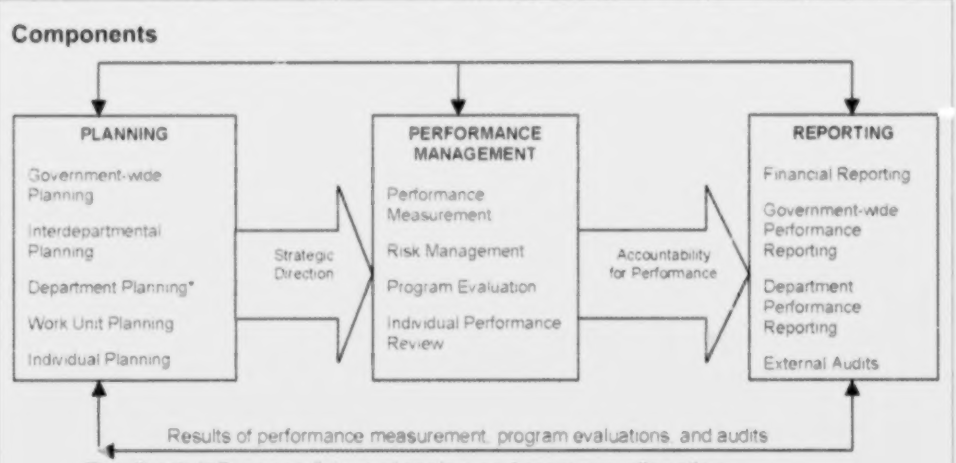
2. **We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results.**

Accountability for performance

The accountability system for departments emphasizes accountability for performance (Exhibit 1). The system focuses on results. It expects managers to keep outcomes in mind as they plan, manage, and report their agencies' achievements.

This chapter focuses on the planning and reporting parts of the Performance Management Accountability Framework set out in Exhibit 1. The central part of the Framework shows how managers focus on results. We plan to assess the tools managers use to focus on results in future audits. We describe some of our future work later in this report.

Exhibit 1—Performance Management Accountability Framework



Feedback influences future planning and resource allocation

* Includes human resources, information technology, capital, and financial planning

Source: Department of Finance
http://www.gov.sk.ca/finance/accountability/2003/1frameworklink.pdf

Accountability is improving

Since early 2000, the Department of Finance coordinates changes to improve accountability by focusing on results in the Treasury Board sector. Exhibit 2 sets out many of the changes. For example, Finance sets guidelines to explain the expected timing, format, and content of agencies' plans and reports. Each year, Finance updates the guidelines to clarify what the Government expects.

The Government is making steady progress. We look forward to continued action to improve accountability. We highlight what we expect in italics below and outline key actions taken by the Government to date.

Overall plan covers more Government activity

For better accountability, we expect a multi-year plan for the Government as a whole (i.e., CIC Crown agencies, departments, and other Treasury Board agencies). Our 2000 Fall Report – Volume 3 (Chapter 1B, p. 37) set out key elements that we expect to see in public plans for the Government as a whole:

- *overall mandate (state what part of government the plan covers);*
- *direction (goals, objectives) and key risks;*
- *strategies to achieve objectives;*
- *resources allocated to carry out strategies; and*
- *key targets and performance measures.*

An overall plan helps the public see how all parts of the Government work together to achieve important goals over several years.[3] The Government made public its overall plans for 2003-04 and 2004-05.[4]

The 2003-04 and 2004-05 overall plans improved how the Government reports to the public. Both plans showed the Government's direction with goals, objectives, and strategies. Both plans were timely (i.e., available by the end of the prior year). These achievements improve accountability.

The two overall plans had differences. The 2003-04 plan showed key objectives more clearly than the 2004-05 plan. The 2003-04 plan stated financial resources for most strategies; the 2004-05 plan did not. With every strategy, the 2003-04 plan referred readers to a specific agency for details; the 2004-05 plan did not. Clear links from the overall plan to related agency plans help the public understand the role agencies play.

It is not clear whether the Government's 2004-05 overall plan covers the *key* objectives of its most significant agencies. The transmittal letter, introduction, and contact list in the plan explain that the plan relates primarily to departments. However, we note the plan includes many important CIC Crown sector initiatives.

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[3] For examples of multi-year overall plans of other governments see these web sites:
Government of British Columbia web site: http://bcauditor.com/AuditorGeneral.htm
Government of Alberta web site: http://www.oag.ab.ca/index.html

[4] *2003-04 Saskatchewan Provincial Budget: Building for the Future: Our Plan for 2003-04.*
2004-05 Saskatchewan Provincial Budget: Budget and Performance Plan Summary.

In its 2004-05 overall plan, the Government gave the public a *financial* plan for the Government as a whole.[5] This plan shows the public how the Government intends to manage its finances across all government agencies (i.e., both CIC Crown agencies and Treasury Board agencies). The overall financial plan allows legislators and the public to monitor the financial position of the whole Government—an important achievement.

We encourage the Government to continue to strengthen accountability to the public through improvements to its overall performance plan.

More cross-government strategies made public

When governments use multi-agency strategies to achieve important objectives, we expect them to coordinate this work using a lead agency. We expect partner agencies to agree on realistic targets for results and make them public. Specific public plans help agencies to work together. We also expect all partner agencies to agree on performance measures and use them to make their results public. (For more detail see our 1999 Spring Report p.83 and our 2001 Fall Report – Volume 2 p.215).

The Government released with its 2004-05 budget the performance plans of two of the Government's cross-government strategies. *KidsFirst*[6] and the *Safe Drinking Water Strategy*[7] both made public their 2004-05 plans.

Making these strategies public is an important step. Each of these strategies depends on the combined effort and resources of several departments. Working together requires agreement on common objectives, targets, and measures. Making these plans public is an important achievement that requires active cooperation and goodwill. We encourage the Government to continue this progress with other cross-government strategies.

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[5] *2004-05 Saskatchewan Provincial Budget: Budget and Performance Plan Summary* (p.76-80).

[6] http://www.sasklearning.gov.sk.ca/branches/ecd/KidsFirst_plan04_05.pdf

[7] http://www.se.gov.sk.ca/environment/protection/water/2004-05PerformancePlan-DrinkingWater.pdf

Timely agency plans explain activities and measures

Accountable agencies tell the public, before the year begins, what they intend to achieve and by when. Long-term plans (e.g., three to five years) help agencies work together effectively. We expect the public plan to state how agencies will measure their results in key areas.

Departments' performance plans are now timely. On March 31, 2004, departments put their 2004-05 plans on a web site along with other budget materials. This gave legislators and the public access to the Government's plans at the beginning of the fiscal year—another important achievement. Timely public plans improve accountability.

Timely plans make departments more accountable in a second way. It makes performance plans public at the same time as the estimated cost to carry out the plans. This means legislators will know more about the Government's objectives when they debate the estimated cost of plans.

In their plans, departments explain whether their plans changed and why. Agencies should explain changes in their plans, measures, and expected results. It is not always possible to achieve as much as was planned. The 2004-05 plans show the public how the Government changed its plans to achieve the desired results.

In their plans, departments tell the public how much *activity* they plan (e.g., complete 2000 safety inspections). The plans identify the target level of activity planned for the year. Putting these short-term activity targets in the plans is useful. Short-term activity targets can help legislators and the public understand how much the Government plans to do, and the resources it will require.

Departments also tell the public how they will *measure* desired results (e.g., rate of time-loss workplace injuries). The proportion of measures that will report results in terms of outcomes is increasing. This helps managers, legislators, and the public focus on results.

In general, departments' plans do not yet specify *targets* for expected outcomes. In early 2004, the Government had not asked departments to tell the public their planned targets for long-term results. Finance told us that departments' plans will include these outcome targets in future.

Finance wants to ensure departments are ready to make this important change.

Setting realistic targets for results is challenging in the public sector. Results often depend on action by many agencies over several years. If financial and other resources vary from year to year, it is hard to predict results over the long term. In some cases, managers need more research to estimate potential results.

Knowing the target results desired in the long term is important. It helps people understand the challenges that government departments face. Making targets public can help keep expectations realistic. It also helps non-government partners to shape their plans.

Making public the expected outcomes of planned activities helps legislators and government managers focus resources on priorities. When plans set out the specific results desired, managers and legislators can more easily monitor progress. Timely monitoring helps managers to adjust their plans. Adjusting plans helps the Government to achieve its objectives.

When the public can compare actual results to planned targets, it strengthens accountability.

3. **We recommend that the Government require departments and Treasury Board agencies to publish their planned targets for major long-term results.**

Timely agency reports compare actions to plans

We expect performance reports to be relevant to users. Users of the Government's annual performance reports include legislators, service delivery partners, and the public. Our 2001 Spring Report (p. 35) sets out the principles we expect in relevant annual reports:

- *focus is on plans and results;*
- *shows how results were achieved [i.e., activities];*
- *sets out the cost of results;*
- *measures something of significance to users; and*
- *reports in sufficient time to influence decisions.*

During the last decade, the Government greatly improved the information reported to the public. In the early 1990s, some departments did not produce annual reports at all and others made their annual reports public long after the year-end.[8] As of March 2004, only one department, the Executive Council, does not make a report to legislators and the public each year. Departments' annual reports are now timely as most are available to the public within 120 days of the year-end—an important achievement.[9] Timely annual reports improve accountability.

Further, the reports of all departments now follow guidelines that create more relevant annual reports. We commend the adoption in 2003 of current best practices to guide the content of annual reports. These practices are described in CCAF's *Reporting Principles: Taking Public Performance Reporting to a New Level.*[10]

As described earlier, departments have made good progress in reporting *activities*. Departments are also reporting some *outcomes*. The proportion of performance measures that will monitor outcomes varies widely among departments (e.g., 10-76%).

Departments do not yet explain to the public their long-term outcomes compared to their targets. When governments make public their planned outcomes, citizens can assess whether the progress reported is reasonable. Without knowing the expected results of departments' activities, citizens may expect more or less than is reasonable. It is also more difficult for agencies to explain their results if they cannot show their progress toward their planned long-term results.

For several years, most CIC Crown agencies have been reporting actual results compared to planned targets (both activity and outcome targets). We anticipate that when the Government makes public its target results for the Treasury Board sector, it will also report actual results compared to targets.

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[8] See our assessment of annual reports in our *1992 Annual Report*, Chapter 8 (p. 51).

[9] The Legislative Assembly made changes to *The Tabling of Documents Act* to improve timeliness.

[10] The CCAF is a non-profit research and education foundation that supports capacity development for the public sector in the areas of governance, accountability, management, and audit.

Progress to continue

The Government is making steady progress toward improved accountability. This chapter describes the performance management approach used by departments. Departments now have timely public plans and reports. Reporting actual results (outcomes as well as activities) compared to specific plans (targets) would make the Government more accountable.

In 2003, the Government approved a multi-year timetable for incremental changes to improve reports to the public. We look forward to further improvement. Continued support from legislators and senior officials will help maintain the momentum.

Our future work to support accountability

We plan to continue to monitor how the Government makes its agencies more accountable. By early 2006, we plan to complete the following work to monitor Government accountability.

We plan to monitor whether the Government's reports to the public continue to improve. We will examine annual reports and periodic performance reports as we have done before (e.g., health indicators report[11]). For example, in Chapter 2 of this 2004 Report – Volume 1, we describe a recent report by the Information Services Corporation of Saskatchewan.

We plan to assess processes used to manage for results—first in two agencies and later in several significant government agencies. We expect that when agencies choose to use a results-oriented approach, managers will change how they manage. Our report will outline the processes we expect managers to use. For example, current literature explains that managing for results requires managers to:

- use targets to plan action and monitor results;
- align resources with long-term priorities;
- manage risks that could reduce results;
- analyze results-oriented information to monitor progress; and

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[11] *Saskatchewan Comparable Health Indicators Report 2002*

- adjust planned activities and resources based on evidence from interim performance information or other program evaluations.

We will audit the reliability of selected information in the Department of Finance's 2004-05 annual report. Over time, we anticipate that the Legislative Assembly will routinely receive our independent audit opinions on agency reports of key non-financial results, just as it does for financial reports.

In 2005, we will inform legislators and the public about the Government's overall accountability practices compared to other governments. For example, we will explain how other legislative assemblies review reports of results.

Reporting on results is challenging in the public sector. The transition will take time. We expect the pace of change will vary among and within agencies. Central agencies like Finance coordinate changes to help maintain momentum. The leadership and support of legislators and senior officials in all departments and government agencies is essential for success.

Exhibit 2—Government actions to strengthen accountability

1999

- Government announced comprehensive accountability project.
- Seven pilot departments prepared *plans* for the 2000-01 fiscal year; measures were not included and the plans were not made public.

2000

- Performance Management Accountability Framework made public. (March)
- Finance *2000-01 Planning Guidelines* requiring all departments to prepare a strategic plan for 2001-02 including performance measures. The guidelines are updated annually. (April)

2001

- Mid-year report (pp. 3-5) went beyond a financial overview to include progress on key budget commitments (education, transportation, reducing taxes, and technology). (November)

2002

- Nine pilot departments made public their 2002-03 performance plans in their 2001-02 annual reports. (August)
- Mid-year report (pp.10-19) updates progress on key commitments (infrastructure, families, quality education, economy, and environment). (November)

2003

- The Government's *Building for the Future: Our plan for 2003-04* publicly states priorities and commitments for agencies funded by the General Revenue Fund with a reference to SaskTel, a CIC Crown. (March)
- Finance releases *Accountability Framework: Public Performance Reporting Guidelines* with a four-year schedule of incremental change. (April)
- Nine pilot departments publicly report on achievements compared to their 2002-03 performance plans in annual reports using a new format. (July)
- Two Treasury Board Crown agencies made public their 2003-04 performance plans (SLGA 2002-2003 Annual Report pp. 32-54; SPMC 2002-2003 Annual Report, pp.14-17). (July)
- Mid-year report updates progress toward results in major theme/goal areas identified in the Government's *Plan for 2003-04*. (November)

2004

- *Content Requirements for 2004-05 Performance Plans* expect improvements in public plans of departments and three Treasury Board Crown agencies. (February)
- All departments and three Treasury Board Crown agencies (SLGA, SPMC, Saskatchewan Watershed Authority) and two interdepartmental strategies made public their 2004-05 performance plans. (March)
- The Government's *2004-05 Saskatchewan Provincial Budget: Budget and Performance Plan Summary* covered a wider range of government activity and included the first financial plan for the Government as a whole. (March)

Source: Department of Finance. For documents, see http://www.gov.sk.ca/finance/

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Environment

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Main points

In this chapter, we report the results of our audit of the Department's processes to regulate air emissions in accordance with *The Clean Air Act* and *The Mineral Industry Environmental Protection Regulations, 1996*. Our audit covered the Department's processes from April 1, 2002 to October 31, 2003.

Regulating air emissions is a challenge. To meet this challenge, the Department needs to decide what resources it needs to monitor air emissions. The Department also needs to establish processes to ensure it issues appropriate permits to operators and follows up expired permits. The Department could then establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions, and report publicly on air emissions.

Introduction

The Department of Environment is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations. Information about the Department is available at its web site (http://www.se.gov.sk.ca/).

To fulfill its mandate, the Department must protect primary resources including water, air, and land by using regulatory and non-regulatory controls. The Department regulates water and air quality and the contamination of land through five EcoRegions[1]. The staff of the EcoRegions manage water quality, air emissions, and land contamination.

In our 2003 Report – Volume 3, we reported the results of our audits of the Department, the special purpose funds and the Crown agencies that it manages for the year ended March 31, 2003. In that report, we also said that we planned to examine the Department's processes to regulate air emissions and described the criteria that we would use to evaluate those processes. Our work is now complete. This chapter describes the results of our work.

Regulating air emissions

The Department is responsible to protect Saskatchewan's air quality by regulating air pollutants that originate in the Province. The Department regulates air emissions from operators and monitors ambient (overall) air quality.

To monitor ambient air quality, the Department monitors air pollution levels. Air pollution results from fuel emissions, industrial operations, transportation, and forest fires. The Department has stations in Saskatoon and Regina that monitor surrounding air pollution levels. The Department reports on ambient air quality in its annual reports.

Regulating air emissions from industrial operations and from exploration and mining of mineral resources is important to protect Saskatchewan's air quality. An emission is the release of an air contaminant into the atmosphere that contributes to air pollution.

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[1] An EcoRegion reflects the natural association of plants, humans, and other organisms together with the non-living components of the environment that are unique to the region.

Under *The Clean Air Act* (Act) and *The Mineral Industry Environmental Protection Regulations, 1996*, the Department is responsible to protect Saskatchewan's air quality by regulating air emissions that originate in the Province. The Department regulates emissions by certain industries and mine operations that may release potentially significant sources of air contaminants (e.g. carbon dioxide, sulphur dioxide, benzene). Other sources of air contaminants such as stubble burning and crude oil production are monitored by the Department of Agriculture, Food and Rural Revitalization and the Department of Industry and Resources, respectively.

The Department issues permits to operators of certain industries including exploration of mineral resources. At October 2003, the Department had issued permits to 116 operators. The Environment Assessment Branch of the Department works with the EcoRegions to identify operators that may become sources of significant air contaminants. The EcoRegions then issue permits to those operators and monitor compliance with those permits. Two EcoRegions called Grassland and Parkland are responsible for monitoring almost all operator permits. The Department needs a centralized process to issue permits to industrial operators and to monitor compliance with those permits. In the absence of a centralized process, the EcoRegions may not use consistent practices to issue permits and to monitor compliance with those permits.

The Department must have effective processes to identify operators who need permits and develop the terms and conditions the permits should contain. The Department should then monitor the operators to ensure they comply with the permits and take appropriate action when operators do not comply with the permits.

If the Department does not effectively regulate air emissions, it can lead to poor air quality. Poor air quality harms the environment and human health. Air contaminants make breathing difficult, impair visibility and attack ecosystems.

The Department reports in *The State of the Environment Report* (a public report on Saskatchewan's natural environment and its resources) that air quality has been consistently good over the last six years. Saskatchewan air quality is good because of the low density of the provincial population and a moderate level of industrial activity.

Recently, the Government of Canada agreed to reduce Greenhouse gas emission (e.g. carbon dioxide, methane, nitrous oxide) levels between 2008 and 2012 by 6% from 1990 levels. Environment Canada requires operators who must meet certain emission limits to report their emissions annually. Environment Canada then reports these emissions publicly. It also reviews emission reports from operators, performs site inspections, and takes action against operators that do not comply. Environment Canada does not share its findings with the Department.

Our audit objective and scope

The objective of our audit was to determine if the Department had adequate processes to regulate air emissions in accordance with *The Clean Air Act* and *The Mineral Industry Environmental Protection Regulations, 1996*.

Our audit covered the Department's systems from April 1, 2002 to October 31, 2003. We did our work in accordance with *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria

To assess the adequacy of the Department's processes to regulate air emissions, we used the criteria listed in the Exhibit. We developed the criteria based on our review of relevant literature and best practices. The Department agreed that the criteria are reasonable and attainable. We reported these criteria in our 2003 Report – Volume 3.

Exhibit

To regulate air emissions, the Department needs processes to:

1. Issue relevant permits for sources of significant air contaminants
    - Identify operators that require a permit
    - Set criteria for permits
    - Issue approved permits promptly
2. Regularly monitor compliance with permits
    - Regularly assess compliance with permit terms and conditions
    - Maintain records of compliance, complaints, and investigations
    - Enforce compliance with permits
3. Maintain capacity to regulate air emissions
    - Maintain and use a human resource plan
    - Use adequate equipment to monitor emissions
    - Evaluate capacity against needs and take appropriate action
4. Regularly report on air emissions
    - Collect data
    - Provide regular operational reports to senior management
    - Provide regular reports to the industry and the public

Our conclusion

We concluded that the Department did not have adequate processes to regulate air emissions. Regulating air emissions is a challenge. To meet this challenge, the Department needs to decide what resources it needs to monitor air emissions. The Department also needs to establish processes to ensure it issues appropriate permits to operators and follows up expired permits. The Department could then establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions, and report publicly on air emissions.

We make seven recommendations to help the Department improve its processes.

Detailed findings and recommendations

We describe below our detailed findings for each criterion. For each criterion, we set out what we expected (in italics), what we found, and any resulting recommendations.

Issue relevant permits for sources of significant air contaminants

We expected the Department would have processes to:

- *identify operators that require a permit;*
- *set criteria for permits; and*
- *issue approved permits promptly.*

The Department has processes to identify operators that may become sources of significant air contaminants. The Department evaluates operators, using an environmental risk assessment process, to determine the potential air contaminants (the hazard) and the area that may be potentially impacted (the exposure). The Department then uses a risk management approach to identify which operators require permits. It does this based on the expected emissions, location, and operators' codes of practices and guidelines. If the hazard, exposure, or a combination of the two is found to be a significant risk, the Department requires the operator to apply for a permit.

Under the Act, the Department can waive a permit for a minor source of air contaminants through a Minister's Order. However, the Department has not established a process to obtain Minister's Orders. We noted many cases where the Department waived permits for operators without obtaining a Minister's Order.

The Department uses industry specific guidelines, national standards, the Act, and *The Mineral Industry Environmental Protection Regulations, 1996* to create the terms and conditions of the permits. However, the Department does not have written guidelines to ensure that staff in different regions treat similar sources of air contaminants consistently. Because the Department does not have guidance on how to set terms and conditions for permits, staff prescribed different terms and conditions for permits for similar sources of air contaminants. Also, staff used inconsistent permit periods and stipulated inconsistent monitoring and reporting requirements for similar operators.

For example, some permits required operators to provide independent annual testing of air contaminants while other similar operators were not required to do so. Also, none of the permits we examined specified the emission limits. We found other regulators include emission limits in their permits.

To ensure permit terms and conditions are appropriate, the Department requires either a Director of an EcoRegion or the Director of the Environmental Protection Branch to approve permits. However, the Department did not have an adequate process to ensure that only authorized staff approve permits. We found many cases where unauthorized staff approved permits.

The Act requires that the Department ensure operators apply to renew expiring permits. The Department needs to establish processes to ensure expired permits are either promptly renewed or document why renewals are not necessary. Because the Department did not have such a process, we found that the staff did not always ensure that operators promptly applied for renewal of their permits. We also found that the staff routinely extended the expiry dates of old permits without reviewing and assessing the renewal requests.

1. **We recommend that the Department establish processes to obtain Minister's Orders for waiving permits for minor sources of air contaminants.**

2. **We recommend that the Department set sound and consistent terms and conditions for permits to regulate air emissions.**

3. **We recommend that the Department establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.**

Management told us the Department plans to develop a policy to ensure employees obtain Minister's Order for waiving permits for minor sources of air contaminants.

Management also told us the Department will be restructured to create more centralized administrative controls that should result in a consistent approach to setting permit terms and conditions.

In addition, management told us the Department recognizes the need to develop a consistent approach for approval, renewal, and amending permits and that the Department will establish a delegation of authority to ensure permits are approved properly. As well, management told us the Department has identified the need for a central system to help improve the renewal of expired permits.

Regularly monitor compliance with permits

We expected the Department would have processes to:

- *regularly assess the operators' compliance with permit terms and conditions;*
- *maintain records of compliance, complaints, and investigations; and*
- *enforce compliance with permits.*

The Department has not established written guidelines to assess operator compliance with permit terms and conditions. Staff, however, carry out some monitoring to assess compliance. This monitoring involves discussing with operators their emission monitoring processes, receiving and reviewing emission reports from operators and/or independent parties, and conducting on-site inspections.

Because the Department has not established and communicated guidelines for monitoring operator compliance with permit terms and conditions, staff monitored compliance inconsistently. For example, in one EcoRegion staff made efforts to inspect each permit operator annually but did not inspect a high-risk operator annually. In another EcoRegion, staff only inspected high-risk operators annually. Also, staff did not always receive and review emission reports promptly and document site inspections. Nor did staff always communicate to operators the results of site inspections.

To ensure prompt and proper monitoring, the Department needs written procedures setting out what information staff should obtain from operators and what procedures they must do during site inspections. Also, the

Department must ensure that staff know what to document for monitoring and inspection work, communicate their findings to operators, and regularly follow up findings.

The Department has processes to record complaints, investigate complaints received, and document the resolution of complaints. The Department requires its staff to investigate complaints promptly. The Department, however, needs to ensure its staff comply with those processes. We found that staff did not always document complaints or inform complainants about what the Department did to resolve the complaint.

4. **We recommend that the Department set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.**

Management told us the Department plans to allocate additional resources to address this recommendation.

Maintain capacity to regulate air emissions

We expected the Department would have processes to:

- *maintain and use a human resource plan;*
- *use adequate equipment to monitor emissions; and*
- *evaluate capacity against needs and take appropriate action.*

A human resource plan is useful to identify the workforce an agency needs to achieve its strategic goals and objectives. A human resource plan also helps identify the competencies employees need and thus provides a basis for preparing an appropriate employee training plan. The Department has begun to develop a human resource plan. As part of that work, it has documented the competencies needed by employees who regulate air emissions. The Department has not yet assessed whether current employees involved in regulating air emissions have the necessary competencies. As a result, it has not yet determined whether a training plan is needed to obtain those competencies.

The Department does not have its own equipment to monitor air emissions. It relies on the monitoring equipment owned by operators. The

Department obtains independent verification of that equipment. Regulators of air emissions in New Brunswick and Australia told us that they also rely on monitoring equipment of operators. Sometimes, the Department relies on the air modelling that operators or their consultants complete at the time the operators begin operations to project expected air emissions.

To help ensure that the Department has adequate resources, it must document what it wants to achieve and then assess if it has the necessary resources to do so. For example, the Department should document the number of permits it expects to issue and monitor. It should then assess the resources it needs. It also needs to estimate the number of complaints it may have to investigate and the resources it needs. Currently, the Department determines its human resource needs to regulate air emissions by reviewing the historical workload of its employees without estimating its future needs.

5. **We recommend that the Department complete its human resource plan including a plan for employee training to regulate air emissions.**

Management told us the Department has done a preliminary review of staff and identified the need to hire a senior scientist. Management also told us that the Department plans to do a full human resource evaluation upon completion of its current restructuring.

Regularly report on air emissions

We expected the Department would have processes to:

- *collect data;*
- *provide regular operational reports to senior management; and*
- *provide regular reports to the industry and the public.*

The Department maintains manual records on each of its permit holders. These records are incomplete. For example, the records for many permit holders did not include all inspection reports, records of complaints, and emission reports. Other authorities that regulate air emissions in Ontario, New Brunswick, and Australia maintain relevant information on databases[2]. Databases allow staff quick access to information on any permit holder (e.g. compliance with terms and conditions, numbers of inspections undertaken, complaints received, and information about past enforcement) that would be helpful to monitor operators and compile reports.

The Department has not established and communicated to staff what operational reports it needs and how often. Nor has the Department set out performance targets for regulating air emissions. Staff provide senior management some information on the activities undertaken to regulate emissions. The information does not include how many site inspections staff did, what they found and action taken.

The Department should require staff to prepare reports indicating how well it is maintaining air quality. Staff should also provide regular information on the number of permits issued, results of monitoring, complaints investigated, and enforcement orders issued. The Department must establish processes to ensure such information is collected, maintained, and available when needed.

The Department's *2002-03 Annual Report* includes some information about regulating air emissions. The Department also discusses air quality in *The State of the Environment Report* (a public report on Saskatchewan's natural environment and resources).

The Department should provide more information to industry and the public. The information should include emission limits set, actual emissions, permitted operators, compliance with permit terms and conditions, investigation of complaints, and the Department's enforcement activities. The information should be timely. We note other regulators such as New Brunswick and Alberta[3] provide such information publicly.

6. **We recommend that the Department establish systems to collect and maintain information to prepare reliable reports.**

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[2] A database is a collection of relevant information in a computer, organized so that it can be expanded, updated, and retrieved rapidly for various uses.

[3] See their web sites at www.gnb.ca/0009/ and www.gov.ab.ca/env/ respectively

7. **We recommend that the Department improve its internal and external reporting on air emissions.**

Management told us that the organizational restructuring currently underway will assist the Department in collecting and reporting air emission information.

Our future work plans

In 2004, we plan to examine the Department's processes to manage the provincial parks. We plan to complete our research and establish criteria to do this work. We will discuss and agree the proposed criteria with the Department and include the criteria in our 2004 Report – Volume 3. In the future, we plan to examine the Department's processes to regulate water quality in Saskatchewan.

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Government Relations and Aboriginal Affairs

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Main points

The Department uses special purpose funds and agencies (agencies) to carry out its responsibilities. It is critical that the Department make certain these agencies are managed properly. The Department has three agencies with years ending on December 31, 2003. In this chapter, we report significant breakdowns in the management of one of these agencies – the Northern Revenue Sharing Trust Account (NRSTA).

In our last report, we reported concerns about NRSTA and recommended changes. NRSTA has not yet made the necessary changes. In this chapter, we raise additional concerns. The Department has not sufficiently supervised the operations of NRSTA. We note concerns about NRSTA's processes to plan, account for its activities, prepare financial statements, train its staff, and report on its results. We strongly encourage the Department to work closely with NRSTA to address these concerns soon.

Through initiatives such as the Aboriginal Employment Development Program and the *Strategy for Métis and Off-Reserve First Nations People*, the Department works with Aboriginal people and their leaders. These initiatives help to ensure the growing population of Aboriginal youth has the chance to participate fully in society. In this chapter, we highlight actions and report progress that the Department has taken to address three recommendations related to these two initiatives. We made these recommendations in our prior reports. We look forward to the Department's further progress.

Introduction

The Department of Government Relations and Aboriginal Affairs manages the Province's relations with other governments in Canada and abroad. In addition, it works with Aboriginal peoples and their organizations to advance common interests and with communities to support local governance. It provides them with financial and technical support. It develops laws and policies to meet the changing needs of municipal governments.

In addition, the Department coordinates and manages matters related to Government House, French-language services, official protocol, provincial honours, and provides administrative services to the Office of the Lieutenant Governor.

The Department's web site contains its annual reports, other key publications, agreements, and further information about its programs. It is located at http://www.graa.gov.sk.ca.

In this chapter, we list the special purpose funds and agencies for which the Department is responsible. We set out the results of our audits of the funds and for agencies with years ending on December 31, 2003.

In Chapter 7 of our 2003 Report – Volume 3, we reported the results of our audits of the Department and its funds and agencies with years ending on March 31, 2003 except for the First Nations Fund. The Trustees of the Fund continue to deny us access to the Fund's accounts.

Related special purpose funds and agencies

The Department is responsible for the following special purpose funds and agencies:

	Year-end
First Nations Fund	March 31
Government House Foundation	March 31
Métis Development Fund	December 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31

Each year, each special purpose fund and agency gives the Legislative Assembly (Assembly) its annual audited financial statements.

Audit conclusions and findings

Our Office has completed the audits of the Municipal Potash Tax Sharing Administration Board (Board), Métis Development Fund (Fund), and Northern Revenue Sharing Trust Account (NRSTA) for their December 31, 2003 year-ends.

In our opinion for the year ending December 31, 2003:

- **the Board, Fund, and NRSTA had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter;**
- **the Board, Fund, and NRSTA complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter; and**
- **the Board, Fund, and NRSTA had reliable financial statements.**

The following sets out our detailed audit findings.

Northern Revenue Sharing Trust Account

Background

The Northern Municipalities Act (Act) establishes The Northern Revenue Sharing Trust Account (NRSTA) and its Management Board (Advisory Board). Cabinet appoints the Board. The Advisory Board advises the Minister on the allocations of northern revenue sharing grants, northern capital grants, and any changes to the law concerning NRSTA. The Act makes the Department of Government Relations and Aboriginal Affairs (Department) responsible for administering NRSTA.

NRSTA includes all revenues of the Northern Saskatchewan Administration District (a designated area in the northern part of the Province) and money appropriated by the Assembly for the purposes of northern revenue sharing and grant programs.

NRSTA primarily provides money to northern municipalities for operations, water and sewer systems, and municipal facilities. In 2003, NRSTA had revenues of $16.8 million, expenses of $17.0 million, and held assets of $32.8 million as at December 31, 2003.

Operations need monitoring

The Department needs to set up processes to oversee NRSTA's operations.

The Department needs to define the financial, operational, and compliance reports necessary to monitor the operations of NRSTA. Financial reports would explain differences between the planned and actual financial results, and project results expected for the remainder of the year. In addition, it would include financial statements. The financial statements would include a complete statement of operations, information on the sources and uses of cash, and on what it owns and owes. That is, it would set out what NRSTA owns (e.g., cash, investments, and capital assets), what it owes to others, and what others owe to it. Operational reports would show its progress against what NRSTA expects to achieve. Compliance reports would describe NRSTA's compliance with related authorities (e.g., the law and policies).

The Department has not set out the key information (i.e., financial, operational, and compliance) that it must receive regularly from staff who manage NRSTA. Also, the Department has not set up a process to review those reports and give direction to staff.

Staff prepare financial reports each month. In September 2003, staff began providing those reports to the Department. However, the reports are not adequate. They do not include all revenues from lease fees, amounts NRSTA owes to others, amounts others owe to NRSTA, and cash flow information. Also, the reports do not adequately explain differences between the actual and planned results.

For example, using its October 2003 financial reports, management projected NRSTA would lose $4.1 million for the year ended December 31, 2003. In February 2004, the Department prepared NRSTA's preliminary annual financial statements for the year. Those financial statements showed a profit of approximately $447,000. The audited financial statements for NRSTA for the year ended December 31, 2003 show a loss of approximately $190,000.

Agencies need complete, accurate, and timely reports to make decisions. Without such reports, management may make incorrect decisions.

We also reported this matter in Chapter 7 of our 2003 Report – Volume 3.

1. **We recommend that the Department:**
   - **set out the reports it needs to adequately monitor Northern Revenue Sharing Trust Account's operations; and**
   - **set up a process to oversee Northern Revenue Sharing Trust Account's operations.**

Strategic and business plans needed

The Department needs to prepare strategic and business plans for NRSTA.

Formal strategic and business plans inform management and staff about the goals and objectives of an agency. Also, a strategic plan helps an agency to determine the resources needed to achieve its goals and objectives. It also sets out key risks the agency faces and ways of mitigating those risks. Business and financial plans should set out performance targets (e.g., operational and financial) and the required resources to achieve those expected results each year.

The Department has not prepared a strategic or business plan for NRSTA. Nor has it communicated strategic directions to staff managing NRSTA. As a result, staff do not know what goals and objectives NRSTA needs to accomplish and by when. Without formal plans for NRSTA, the Department cannot assess if NRSTA is contributing toward the overall strategic goals of the Department.

Two months after the end of NRSTA's 2003 fiscal year-end, the Department approved the 2003 financial plan for NRSTA. The Department approved this financial plan without a business plan. As a result, the Department does not know if it approved adequate resources for NRSTA.

2. **We recommend that the Department prepare a strategic plan for Northern Revenue Sharing Trust Account setting out its goals, objectives, and priorities.**

3. **We recommend that the Department approve an annual business and financial plan for Northern Revenue Sharing Trust Account before the beginning of its fiscal year.**

Complete policies and procedures needed

The Department does not have adequate accounting policies and procedures to prepare accurate financial statements for NRSTA.

Agencies need accounting policies and procedures to provide staff with guidance in completing their tasks. When accounting policies and procedures are not clear and complete, there is a risk that staff may make errors without timely detection.

The Department has documented some procedures to record transactions in NRSTA's accounting records. However, the Department has not documented all procedures to ensure the financial records are complete and accurate. Also, the Department has not provided formal guidance to staff on what they must do to record internal transfers or to make corrections to recorded transactions.

Staff regularly agree NRSTA's recorded bank balance to the bank's records (bank reconciliation). However, management did not always review and approve the bank reconciliations. The risk of a loss or misappropriation increases when agencies do not review and approve bank reconciliations.

To reduce the risk of loss and/or improper use of public money, the Department needs to establish the processes to:

- prepare and approve corrections to NRSTA's accounting records;
- record internal transfers;
- review and approve bank reconciliations;
- accurately record accounts payable and accounts receivable;
- conduct capital asset inspections and inventory counts; and
- convert data between computer systems when systems change.

Documented accounting policies and procedures help ensure that accounting staff receive ready guidance when needed. This in turn will help to safeguard public money and help ensure that NRSTA's financial records are complete and accurate.

We reported this matter in Chapter 7 of our 2003 Report – Volume 3.

4. **We recommend that the Department establish processes to record transactions in the accounting records and to prepare accurate financial statements for Northern Revenue Sharing Trust Account.**

Staff development program needed

The Department does not have an adequate development program for staff responsible for NRSTA.

When agencies do not have adequate development programs, their employees may not achieve the needed competencies to do their work. When employees do not have proper accounting competencies, they may prepare incomplete and inaccurate financial information.

The Department's development program for NRSTA's staff should assess individual staff competencies required to do the work. Where the staff's competencies are less than required, the Department needs to provide training to ensure that the staff can adequately carry out their duties. Also, the Department needs to properly supervise staff to ensure that they complete their work accurately and on time.

5. **We recommend that the Department establish a development program to ensure that Northern Revenue Sharing Trust Account's staff have the required competencies.**

Written agreement required

The Department does not have an agreement with the Department of Environment (Environment) setting out the roles and responsibilities of each party to collect revenues from leases and land sales.

Under the Act, revenues from lease fees on lands in the Northern Saskatchewan Administration District and proceeds from land sales belong to NRSTA. Environment administers these leases and land sales for NRSTA. Environment bills, collects, and maintains records of these revenues for NRSTA. The Department pays Environment annually $430,000 for this work.

The Department does not have a written agreement with Environment to administer lease and land sales for NRSTA. A written agreement would help to ensure that both parties have a clear understanding of their roles and responsibilities. The written agreement would also specify what information Environment would provide to NRSTA and when. The Department could then monitor Environment's compliance with the agreement.

Because the Department has not set out in writing what information it needs and when, it did not receive timely information from Environment to prepare NRSTA's financial statements. Accordingly, NRSTA's monthly financial reports did not fully include revenues from lease fees and land sales. As stated earlier, incomplete or inaccurate financial statements could result in incorrect decisions.

6. **We recommend the Department document its agreement with the Department of Environment to administer lease and land sales for Northern Revenue Sharing Trust Account.**

Management told us that the Department is working with the Department of Environment to obtain such an agreement.

Annual Report needed

The Department needs an adequate annual report describing NRSTA's operations.

Currently, the Department provides the Assembly with audited financial statements and some additional information about its administration of NRSTA and its programs.

To be a good accountability document, the annual report should describe the purpose of NRSTA, how it manages its key risks, what it has done, where it is now, and what it plans to do. The annual report should include key performance targets for all of NRSTA's objectives and information on how NRSTA is progressing towards achieving those targets. Discussion and analysis about NRSTA's performance targets and its progress towards those targets would help readers assess NRSTA's performance.

The Department's annual report to the Assembly does not include this information. The Department could prepare an annual report for NRSTA that includes this information. Alternatively, the Department can provide this information about NRSTA in its own annual report.

We reported this matter in Chapter 7 of our 2003 Report – Volume 3.

7. **We recommend that the Department report on the performance of Northern Revenue Sharing Trust Account to the Legislative Assembly each year.**

Coordination across Government—a follow-up

Background

The Department of Government Relations and Aboriginal Affairs is the coordinating department for the Government's *A Framework for Cooperation: Practical Approaches to Issues Affecting Métis and Off-Reserve First Nations People in Saskatchewan.* The Government now calls this the *Métis and Off-Reserve First Nation Strategy (Strategy).*

In our 2001 audit, we assessed whether the Department had adequate processes to coordinate action by key government departments on the goals set out in the *Strategy.* The audit criteria we used in this audit are set out in Exhibit 1 at the end of this section.

In Chapter 8B of our 2001 Fall Report – Volume 2, we reported the Department had a sound foundation to coordinate action across government except for its processes to monitor and report performance. At that time, the Department did not obtain regular reports from all participating departments.

We recommended that the Department establish processes to obtain regular written reports on the actions of the twelve participating departments. PAC agreed with our recommendation in its Fourth Report to the Legislative Assembly (June 2003).

In the following sections, we describe actions taken by the Department to address this recommendation to March 31, 2004.

Coordination has improved

The Department told us that in October 2002, they asked participating departments to submit written reports annually. In 2003, the Department received written reports about actions during 2001-02 and 2002-03 from participating departments. We examined detailed reports from five of the twelve participating departments.

The departments' reports explained which initiatives worked and which did not. The reports listed the activities of each initiative. The reports also described whether the activities contributed to objectives as intended.

As coordinator, the Department summarizes the *Strategy's* achievements from these reports. It also evaluates whether each initiative is still relevant for the annual action plan. The Department's summary of these reports shows combined action across the Government. The reports also help the *Strategy's* interdepartmental committee to update its action plan. The coordinating Department can then see where further action is required to achieve key objectives.

In February 2004, the Department publicly reported progress toward the objectives of the *Strategy*.[1] The report is on the Department's web site at www.graa.gov.sk.ca. The progress report explains the Government's actions between 2001 and 2003. It describes Saskatchewan's Métis and First Nations people in terms of age, where they live, and income.

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[1] *Progress Report 2001-02 and 2002-03 A Framework for Cooperation: Strategy for Métis and Off-Reserve First Nations People*, February 2004 (see web site www.gov.sk.ca, Online, departments, Department of Government Relations and Aboriginal Affairs, Relations and Initiatives, Urban Strategy).

The progress report also gives results for some of the Government's objectives with and for Aboriginal people.[2] The results that it makes public are educational attainment, labour force participation, and unemployment rates. The report compares actual results for Aboriginal people and to others.

The Government has 10 to 20-year objectives for this *Strategy*. Legislators and the public need to see interim results compared to what the Government planned. Explaining the targets and results helps the public see the impact of trade-offs the Government makes in its financial plan. It helps the public understand what the Government achieved compared to what it planned.

Reporting on cross-government programs is complex. In 2003, the Department obtained effective written reports on the actions of the twelve participating departments. The Department used these reports to give the public a progress report. This is a good step forward. It improves coordination and increases accountability.

In addition, we congratulate the Department for reporting selected results to the public. We look forward to further reports of the results of this important *Strategy* as they become available. We will monitor how the Department sustains its processes to obtain written reports from participating departments. These processes are essential for the Government to make visible the extent of its progress on key objectives.

Exhibit 1—Criteria for processes to coordinate across government

To coordinate action by key Government departments on the goals set out in *A Framework for Cooperation*, the Department should have processes to:

1. **Establish accountability for action on common goals**
    - Establish coordination structures
    - Establish accountability tools
    - Obtain commitment for action on goals
2. **Provide leadership for action on goals**
    - Communicate expectations, risks, and opportunities
    - Encourage realistic balance of expectations with resources

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[2] The Department plans to do a complete assessment of the results of Strategy initiatives every five years.

3. **Make visible the extent of progress**

    Monitor performance regularly

    Follow up on commitments to action

    Report performance

Facilitating partnerships—a follow-up

Background

The Department manages the Aboriginal Employment Development Program. This Program promotes the employment of qualified Aboriginal people. It helps to link employers to the growing number of well-educated Aboriginal young people. Employers who become partners commit themselves in writing to increase the proportion of Aboriginal employees in their workplace.

In Chapter 5 of our 2003 Report – Volume 1, we reported how the Department uses partnerships to increase the participation of Aboriginal people in the provincial workforce. We based our audit on the criteria set out in Exhibit 2 at the end of this section.

At the time of our audit, the Department had adequate processes to facilitate partnerships to increase the participation of Aboriginal people in the provincial workforce with one exception. The Department needed to improve how it measured and reported progress. We made two recommendations.

8. **We recommend that the Department take adequate steps to ensure it uses consistent and reliable information to evaluate its progress toward increased participation of Aboriginal people in the provincial workforce.**

9. **We recommend that the Department inform the public of its progress in achieving short, mid, and long-term measurable targets that contribute to the increased participation of Aboriginal people in the provincial workforce.**

In the following section, we describe management's action up to April 2004 on the above recommendations. We asked the Department to describe the actions it took on our recommendations. We also examined what the Department reported to the public on its web site and in its annual report and press releases.

Reliability of information is improving

The Department measures progress in terms of the total number of partner-employers. The Department also asks its partner-employers to report the total number of Aboriginal people hired. Our audit found that partners counted the numbers hired in various ways. For example, employers counted a person as hired whether employment was casual, part-time or full-time, temporary or permanent.

The Department simplified the measures it asks partner-employers to use. For example, in 2003, the Department asked partners to measure how many Aboriginal employees they hire each year on either a permanent or temporary basis. This change makes the Department's information more reliable.

The Department's public report should explain limitations in the reliability of how it measures their progress. The Department needs to know how its partner-employers measure progress. This would help the Department assess the impact of any differences in data collection.

We will continue to monitor how the Department ensures it uses consistent and reliable information to evaluate progress.

Reporting is improving

In 2002, the Department consistently reported its activities (e.g., the total number of agreements signed with employers). The Department also reported activities by partner-employers (e.g., number of Aboriginal people hired, staff attending cultural awareness training).

Useful progress reports explain both activities and results. Each year, the Department reports activities to the public in its annual report, press releases, and on its web site. Public reports of actual results help partners commit to increased employment for Aboriginal people.

The Department plans to report results. It plans to tell the public the number of Aboriginal people employed by its partner-employers as of

March 31st each year. Reporting the number of Aboriginal people permanently employed by its partners will show progress toward increasing workforce participation.

Province-wide, in 2001, Aboriginal participation in the workforce was about 15% less than participation of others.[3] Increased participation of Aboriginal people in Saskatchewan's workforce is an important objective.

We encourage the Department to report both activities and results in future reports to the public. The Department told us it expects to report actual results compared to planned progress as part of the 2003-04 Annual Report in July 2004.

We will continue to monitor how the Department informs the public whether it is achieving its targets for increased Aboriginal participation in the provincial workforce.

Exhibit 2—Criteria to facilitate partnerships

To adequately facilitate effective partnerships to increase participation of Aboriginal people in the workforce, the Department should have processes to:

1. identify key partnership opportunities
2. design sustainable strategies to engage partners
3. formalize clear accountability with partners
4. report progress toward increasing Aboriginal participation in the workforce

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[3] Statistics Canada 2001 Census: Selected labour force characteristics, Aboriginal identity, age groups and sex for population 15 years and over for Canada, Provinces, Territories and census metropolitan areas

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CommunityNet security

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Main points

CommunityNet is Saskatchewan's high-speed, province-wide data network. Private and confidential government information travels over CommunityNet. CommunityNet is a large network, with diverse users, and sensitive information. This means that CommunityNet must have strong security.

We did a study to determine whether the Government has adequate processes to oversee the security of government information carried on CommunityNet. We examined the processes in place at March 1, 2004. Based on our study, we found that the Government does not have adequate processes to oversee the security of government information carried on CommunityNet.

We recommend that the Government:

- clarify which agency is responsible to oversee the security of CommunityNet;
- approve and implement security and data classification policies to protect information carried on CommunityNet; and
- make the agency responsible for overseeing the security of CommunityNet also responsible for monitoring security and ensuring corrective action is taken.

Introduction

CommunityNet is Saskatchewan's high-speed, province-wide data network. CommunityNet connects many users. These include 910 educational facilities, 310 health facilities, 162 public libraries, and 256 government offices in 366 Saskatchewan communities. The Crown Investments Corporation of Saskatchewan and its related agencies do not use CommunityNet. The Information Technology Office (ITO) advises that the annual operating cost of CommunityNet is $12 million.

Private and confidential government information travels over CommunityNet. This includes personal and management information. CommunityNet also has very diverse users, including government employees, health care workers, school children and staff, and library employees and patrons. The large size of the network, the diversity of users, and the sensitivity of information carried means that CommunityNet must have strong security policies, clearly-defined responsibilities, and adequate monitoring.

In our 2002 Fall Report – Volume 2, Chapter 3, we recommended that the Government establish a baseline security policy for agencies using CommunityNet. The policy would help ensure that all agencies sharing information over CommunityNet protect that information to the same high standard.

In this chapter, we consider the security of information carried on CommunityNet and make recommendations to improve the security of that information.

Study objective

The objective of our study was to assess whether the Government has adequate processes to oversee the security of government information carried on CommunityNet. We examined the processes in place at March 1, 2004.

This study did not include a review of security processes at government agencies, other users of CommunityNet, or at SaskTel the service provider. Our study is not an audit.

Study findings

We found that the Government does not have adequate processes to oversee the security of government information carried on CommunityNet. In this section, we set out our expectations (in italics) and our findings.

Responsibility for security

We expect accountability relationships to set out who is responsible to whom, and for what. For a network like CommunityNet, it is critical that the Government define who has responsibility for security. It is also important that this responsibility is not spread over many government agencies. Finally, it is critical that the Government accompany this responsibility with appropriate authority.

The law sets out who is responsible for the security of CommunityNet. However, this does not match how CommunityNet is currently being managed.

CommunityNet, as a shared data network, is the responsibility of the Minister Responsible for Information Technology. The law currently provides that the Minister carries out this responsibility for information technology through the Department of Industry and Resources (Department). However, the Department does not do this. Both the Department and the ITO agree that the ITO fulfills this role and it does so independent of the Department.

However, the Government has not formally established the ITO as a separate government agency with the mandate to carry out the Minister's responsibilities. The Government needs to clarify the legislative responsibility of the ITO and of the Department.

As a result, the responsibilities and authority of the ITO and the Department and their accountability relationships are unclear. It is not clear who is responsible for the security of CommunityNet.

1. **We recommend that the Government clarify which agency is responsible to oversee the security of CommunityNet.**

The need for security policies

We expect the Government to have government-wide security policies. The policies should include procedures and monitoring processes for security. Policies should also set out the Government's direction and commitment to security. In a complex environment like a government, the policies must set out the services covered and which government agencies follow the policies. For the purpose of this study, the policies need to cover the government agencies using CommunityNet.

Policies require a thorough analysis of the risks involved. The Government should also base the policies on a recognized security model or framework. The framework helps ensure the policies are complete.

Security policies help protect the confidentiality, availability, integrity, and privacy of information. Data classification would help government agencies sharing a service like CommunityNet determine the level of security needed for their information.

The Government has not approved and implemented security policies for CommunityNet. Nor has the Government approved and implemented a data classification system that would assist agencies to identify sensitive information and take appropriate security measures. Currently, the ITO has a draft security policy for CommunityNet and a draft data classification policy based on a national framework.

The Government needs strong security policies to effectively manage privacy. The Government describes its approach to privacy for part of the Government in its Overarching Privacy Framework (Privacy Framework).[1] The Privacy Framework does not include the Crown Investments Corporation of Saskatchewan and its related agencies. Also, the Privacy Framework does not include agencies in the health and learning sectors that use CommunityNet.

The Privacy Framework assigns the ITO to work with other government agencies to develop certain security procedures. Assigning this responsibility to multiple agencies diffuses responsibility for security in the Government. In addition, the Privacy Framework does not recognize the need for a comprehensive security policy based on a recognized security standard. As a result, the security procedures envisioned in the Privacy Framework will not be adequate for CommunityNet.

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[1] Government of Saskatchewan, *An Overarching Personal Information Privacy Framework for Executive Government*, September 2, 2003. Available on the internet at http://privacy.gov.sk.ca.

It is critical that the Government base security for CommunityNet on a thorough assessment of risk and a recognized security standard. Security policies for CommunityNet should ensure security is consistent and adequate at each government agency. Where agencies outside the Government use CommunityNet, the ITO should use contracts to ensure they comply with the security policies.

2. **We recommend that the Government approve and implement security and data classification policies to protect information carried on CommunityNet.**

Monitoring security

We expect that once the Government clarifies responsibility for security and approves and implements security policies, it will also give an agency formal responsibility to monitor security on CommunityNet.

We expect the Government will ensure government agencies and other users comply with the security policies. To do this, it must first approve the policies so that the users are aware of the rules they need to follow. Secondly, it needs to set up mechanisms to review compliance with the security policies.

Monitoring achieves two purposes. First, it verifies users compliance with security policies. Second, it enables corrective action to be taken against weaknesses and threats. A security weakness at SaskTel the service provider or within a government agency's network could put the information carried on CommunityNet at risk of disclosure, damage, or loss.

Currently no government agency, including the ITO, has clear responsibility and authority to verify user compliance with security policies or to ensure corrective action is taken.

The ITO receives regular information on security threats from the Internet. The ITO has drafted a policy to respond to these external security risks.

In addition, the ITO provides assistance to CommunityNet users for security threats. However, the draft policy does not address risks that may already exist within government agencies and other CommunityNet users.

3. **We recommend that the Government make the agency responsible for overseeing the security of CommunityNet also responsible for monitoring security and ensuring corrective action is taken.**

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Learning

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Main points

The Department of Learning is responsible for the overall quality of education in Saskatchewan. Adequate educational facilities contribute to quality education. The Learning sector depends upon about $5.2 billion of infrastructure to provide educational services and programs to the public.

By law, school divisions and provincial post-secondary institutions (partners) need the Minister of Learning's approval before they undertake new construction or major renovations to their facilities. This provides the Department with mechanisms to help ensure the necessary infrastructure is in place for the education system.

To ensure that partners complete construction projects as expected, the Department needs to be aware of the risks faced on projects. Typically, project risks fall into three broad categories:

- economic risks – e.g., cost overruns, access to financing;
- capacity risks – e.g., availability of staff and contractors with needed capabilities, incorrect needs analysis; and
- construction risks – e.g., poor construction, expanding project scope, safety and environmental concerns.

In this chapter, we report on how well the Department manages these risks for capital construction projects it approves. We recommend the Department improve its practices to manage those risks.

We found the nature and level of the Department's involvement on projects varies based on its assessment of the capability of its partner to successfully manage the project. The Department needs to document these assessments to ensure the risks are mitigated.

For universities and regional colleges, the Department had adequate processes to receive information throughout project construction to manage the risks. For school divisions, it did not. The Department needs to obtain such information. This information allows the Department to know, on a timely basis, problems in completing projects.

Introduction

The Department of Learning is responsible for the overall quality of education in Saskatchewan. It acknowledges the link between adequate educational facilities and student success.[1] It estimates that it depends on about $5.2 billion of infrastructure[2] to provide educational services and programs to the public.

This infrastructure is comprised of land, facilities, and equipment located within school divisions, universities, and training institutions and facilities rented from Saskatchewan Property Management Corporation (SPMC).

In this chapter, we call the various educational institutions within the learning sector "partners." The key partners include all 99 school divisions, the University of Regina, the University of Saskatchewan, the Saskatchewan Institute of Applied Science and Technology (SIAST), and the eight regional colleges.[3]

Managing infrastructure is always complex. It involves not only maintaining existing infrastructure to the expected level of service but also ensuring the necessary infrastructure is available at the right time, in the right location, and at a reasonable cost. Infrastructure is typically expensive. It is critical that spending on infrastructure is managed carefully and addresses identified needs.

The involvement of numerous partners makes the management of infrastructure more complex. It is important that each partner have a clear understanding of who is responsible for what and to whom. Various provincial laws provide the Department and its partners with a framework for determining these responsibilities.

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[1] Securing Saskatchewan's Future: Provincial Response – Role of Schools Task Force Report, February 2002, pp 1, 13.; *Saskatchewan Post Secondary Education and Skills Training Sector Strategic Plan 2001-02 to 2005-06: Work-in-Progress*, June 2001, pp. 3.

[2] Infrastructure includes all physical assets used to provide public services. Infrastructure includes physical assets that the Government purchases, constructs, or leases. It also includes capital assets that the Government pays others to operate to provide public services.

[3] The eight regional colleges are: Carlton Trail Regional College, Cumberland Regional College, Cypress Hills Regional College, North West Regional College, Parkland Regional College, Prairie West Regional College, Southeast Regional College, and Northlands College.

By law, all partners must obtain approval of the Minister of Learning before they undertake a capital project (e.g., new construction, or major renovations to existing buildings). Universities must seek the Minister's approval for capital projects that will cost more than specified dollar thresholds. Partners must obtain the Minister's approval even if they do not request money from the Department to pay for the project.

The Department must review and approve its partners' financing arrangements (e.g., borrowing) related to the proposed projects. In addition, the Department has the authority to set building standards and specifications, provide financial help, and request further information from the partners as it deems necessary (e.g., long-term capital plans).

This framework provides the Department with mechanisms to help ensure the necessary infrastructure is in place for the education system. Working with its partners, the Department must balance the needs of the education system for appropriate infrastructure with other needs of the education system (such as delivery of education, research, development).

The Department expects its partners to make requests for capital projects based on their identified and documented needs for infrastructure. Working with its partners, it uses defined criteria to evaluate the requests.

The Department receives almost 500 requests for capital projects each year from its partners. The bulk of the requests come from school divisions. Typically, it approves about one-third of the requests. Many of the projects take more than one year to complete.

In 2001-02, 99 school divisions[4] own and operate 778 schools in Saskatchewan. These schools serve approximately 181,000 Kindergarten to Grade 12 students. Divisions spend over $120 million each year to maintain and operate these facilities.[5]

The University of Regina and University of Saskatchewan collectively spend over $23 million each year to maintain and operate their infrastructure.[6] The universities serve about 30,000 students. SIAST spends $17 million each year to rent facilities from SPMC and manage capital improvements. SIAST serves about 13,500 full-time students each year. The eight regional colleges collectively spend about $3 million each year to operate facilities. They own some of these facilities and rent others from SPMC. The colleges serve about 4,000 full-time students and many part-time students.

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[4] The number of school divisions decreased to 82 in early 2004.

[5] Government of Saskatchewan, 2002 Saskatchewan Education Indicators Kindergarten to Grade 12, p.38, 42.

The successful completion of approved capital projects helps the Department and its partners meet identified educational infrastructure needs. To help ensure projects are completed on time, within budget, and as planned, the Department must oversee whether partners carry out their responsibilities.

Audit objective

The objective of this audit was to assess the adequacy of the Department's processes to ensure its partners meet requirements for completing approved capital construction projects. The audit focused on processes used for the twelve-month period ending September 30, 2003. Partners include school divisions, University of Regina, University of Saskatchewan, SIAST, and the eight regional colleges.

Audit approach and criteria

Throughout the audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We used criteria to assess the adequacy of the Department's processes. These criteria focus on processes with the greatest influence on engaging partners and helping them to be effective. We based these criteria on a review of literature, work of other auditors, and discussions with management. The Department agreed with the criteria.

To ensure partners meet requirements for completing approved capital construction projects, the Department's processes should:

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[6] University of Regina and University of Saskatchewan financial statements for the year ended April 30, 2003.

- establish requirements for construction projects;
- confirm partner acceptance of responsibilities for construction projects;
- routinely use reliable information on the status of the project; and
- address concerns.

The audit focused on processes used by the Department as opposed to those processes used by its partners. The processes that the Department used for each partner group (e.g., school divisions) varied. Where the Department relied on processes used by its partners, we expected the Department to have processes to ensure its reliance was justified.

Our audit focused on major construction and renovation projects. During the twelve-month period ending September 30, 2003, there were 32 of these projects underway with an approximate total cost of $83 million. Of these 32 projects, school divisions had 23 projects, regional colleges had one, universities had eight, and SIAST had none. The Department shared a portion of the cost of most of these projects.

Conclusion

For the twelve-month period ending September 30, 2003, the Department had adequate processes to ensure its partners met requirements for completing approved capital construction projects except for the following. The Department needs better processes to monitor the status of school division projects during construction. In addition, it needs to improve its processes to assess and monitor the risks of each approved project.

Key findings by criteria and recommendations

In this section, we describe, in more detail and in italics, the processes we expected. We also set out our key findings by criteria, and make two recommendations for improvements.

Establish requirements for construction projects

To ensure that partners are aware of the Department's requirements for capital construction projects, we expected the Department to have processes:

- *to ensure that each project has appropriate design specifications to meet the identified needs;*
- *to approve the total cost and costs by key stage for each project;*
- *to approve the timing of key stages for each project;*
- *to approve the financing for each project;*
- *to ensure project team members have appropriate qualifications;*
- *to ensure that the Department has sufficient information to monitor the projects (e.g. actual costs compared to planned costs, stage complete compared to target completion dates); and*
- *to communicate authority and responsibility for project changes and cost overruns.*

Receipt of information during the construction phase is important to help monitor larger projects. Comparison of actual timing and costs to plans enables early identification of problems. It also makes possible timely decisions on corrective action and increases the likelihood of successful completion of the project.

The nature and level of the Department's involvement in construction projects varied for each partner group. In part, this variation reflected the differing legislative responsibilities of the Department and each group. It was also due to the Department's assessment of the capability of the partner group to successfully manage capital projects. In making this assessment, the Department considered the partners' experience in managing past projects and their capacity to manage projects.

In general, the Department was more involved in projects at regional colleges and less involved in projects at the two universities.

The Department worked closely with all partners to define the purpose of each proposed project. That is, the Department and its partners identified the infrastructure needs that each project addressed. The Department reviewed and approved each project's total cost, completion date, and financing arrangements.

The Department required all partners to identify and request approval of changes to projects. Requests for changes were usually due to unforeseen needs (e.g., air quality concerns) or unanticipated increases in total project costs. The Department used review and approval processes similar to those used for initial project requests.

Where the Department worked with school divisions and universities, the Department generally made cost overruns the responsibility of these partners. The partners showed a clear understanding of this requirement. They pursued additional money from the Department as they saw appropriate.

As expected by *The Education Act, 1995* and regulations, the Department was extensively involved with school divisions in the initial phases of each project. The Department provided divisions with guidelines to set out its common requirements for proposed projects.

These guidelines identify eligible capital project areas and money available for school construction. In addition, the guidelines set out the Department's expectations of the school divisions for the following areas:

- specific design of projects for common types of projects;
- information requirements on expected project costs (e.g., tender requirements, detailed cost estimates specific to design) and on financing arrangements (e.g., borrowing);
- required project manager qualifications (i.e., provincially registered architect or engineer) for larger projects (i.e., in excess of $75,000); and
- requirements for the school division's assessment and selection of the project consultant.

These expectations are consistent with those set out in law.

Some school division projects extended over more than one fiscal year. For some of these projects (i.e., those where the division tenders significant parts of the project in stages), the Department required the divisions to provide it with current estimates of the expected costs for that year.

The Department uses the guidelines to evaluate projects and work through the project approval process. The guidelines help school divisions to have a common understanding of the process. In addition, the

Department ensures the school divisions engage, through written contracts, project managers and consultants with expected expertise appropriate for the project. School divisions provide the information expected in the guidelines.

The Department did not request or expect school divisions to identify or provide it with information on the planned or actual timing of key stages of projects or on the expected or actual cost of key stages.

Rather the Department relies on the school divisions to complete the projects as planned. It does not assess the adequacy of the processes that each school division uses to manage approved projects. Because school divisions vary in size and capacity, their ability to successfully manage a project might vary. Without assessing the adequacy of processes that each division uses, or requesting additional information from divisions, the Department risks that school divisions may not successfully complete projects and that it may not become aware of problems until it is too late.

For regional colleges, the Department is directly involved in managing approved projects. The Department assigns a qualified department official (e.g., professional engineer) to each project team. It reviews architects' plans. It analyzes construction tenders, proposed construction schedules, and expected cash flows. Its member on the project team provides it with ready access to key information about the status of projects during the entire construction phase.

For the universities, the Department had assessed each university as having solid capability to manage construction projects. Department officials show familiarity with the universities' processes. They note that each university has a well-defined process for approving project plans, tendering, managing construction, and reporting. These processes include reporting of comparisons of actual results to plans at key stages of the projects. The Department notes that each university required the use of qualified individuals on projects. The Department did not document its assessment of the universities' processes. Such documentation would enable the Department to demonstrate that its reliance on these processes is appropriate.

The Department works closely with each university to define the need for each project. It requires the universities to provide it with the information that they gave to their Boards of Governors (or committees thereof) about the status of projects. In addition, the Department has a liaison for each university. It expects these liaisons to share information obtained about approved projects with other key Department personnel.

In general, the Department's information requirements focused on receipt of information necessary to manage its share of project costs and to ensure that partners completed the projects. It did not require partners to provide information showing whether projects were being completed as planned (that is on time, within overall budgeted costs, and consistent with specifications).

For universities and regional colleges, the Department successfully 'piggy-backed' on information produced by these partners to manage the projects. As a result, it received adequate information throughout the project. For school divisions, it did not request or receive similar information.

1. **We recommend that the Department obtain from school divisions comparisons of planned and actual costs and timing by key stage for each approved project.**

Confirm partner acceptance of responsibilities for construction projects

To ensure that partners accept their responsibilities for completing capital construction projects, we expected the Department to have processes:

- *to ensure all partners are aware of and agree with their responsibilities; and*
- *to resolve conflicts that arise.*

The legislation sets out the overall responsibilities of each party for capital projects. The Department relies on its approval processes to communicate these responsibilities and other expectations to each partner.

The Department uses its on-going communications with partners to ensure they understand and accept their responsibilities. For regional colleges, the Department uses its participation on the project teams to ensure the colleges are aware of and accept their responsibilities. For universities, it uses its regular meetings with facility management, senior university management, and boards. For school divisions, it uses its guidelines along with periodic meetings with the school division officials.

Disputes in approved capital construction projects can arise at two levels. They can occur between the partner and a contractor engaged on a project or between the partner and the Department.

The Department expects its partners to have processes to resolve disputes that could occur during projects (e.g., unsatisfactory contractor work). The Department requires school divisions to have performance, labour, and materials bonds on projects. These bonds help to protect the school divisions if the contractors fail to meet their contractual obligations.

The Department reviewed the universities' processes for resolving disputes with contractors and found that they were sufficient. For regional colleges, the Department was directly involved in resolving disputes through its involvement on the project team.

The Department notes that disputes with its partners were infrequent and are typically resolved through discussions between the Department and partner officials.

Routinely use reliable information on the status of the project

To monitor the status of projects, we expected the Department to have processes:

- *to review information about the actual state of projects against the originally approved plan i.e., for costs and stage of completion;*
- *to review the status of key risks identified for projects; and*
- *to assess the reliability of information provided by partners.*

Monitoring projects is important to ensure that the partners complete the project as expected, do not waste resources, and mitigate risks (e.g., cost overruns, safety hazards, etc.) to acceptable levels. Effective monitoring depends on the receipt of timely and sufficient information. It increases the opportunity for timely identification and resolution of problems or concerns (e.g., delays, sub-standard quality of work, project changes that could affect the ability of the project to meet agreed-upon needs).

To ensure that partners complete construction projects as expected, the Department needs to know the risks faced on projects. Typically, project risks fall into three broad categories:

- economic risks – e.g., cost overruns, access to financing;
- capacity risks – e.g., availability of staff and contractors with needed capabilities, incorrect needs analysis; and
- construction risks – e.g., poor construction, expanding project scope, safety, and environmental concerns.

As described above, in general, the Department's processes to monitor projects focused on receipt of information sufficient to manage its share of project costs.

The Department used processes to limit its economic risk over its share of project costs. For example, for all partners, the Department capped the amount of funding it would contribute to each project. It made its partners with alternative sources of money responsible for cost overruns. For school divisions, the Department withheld 50 per cent of its approved share until it had received the certificate of substantial completion from the architect or engineer. Also, as noted earlier, the Department required school divisions to obtain bonds from contractors. For regional colleges, it used construction contracts to make contractors responsible for cost overruns. For all partner groups, the Department periodically inspected project sites but did not consistently document the results of these inspections.

The Department expected its partners to use processes to identify and mitigate the remaining risks (i.e., capacity and construction risks) on the approved projects. However, the Department did not expect its partners to document a comprehensive risk analysis for each proposed project. Documented risk analyses would help the Department ensure that it and its partners can manage significant risks.

The Department used some processes to assist in the mitigation of project risks. Through guidelines, it required school divisions to use processes (e.g., engage qualified professionals) that helped reduce potential capacity and construction risks. For regional colleges, its project team member ensured the team shared concerns about risks as they arose.

The Department was aware of the processes that the universities used to assess project risks and to set strategies for mitigating those risks. The Department assessed these processes as adequate. The Department did not formally document its assessments of these processes.

For universities and regional colleges, the Department received sufficient information on the actual costs and timing of projects compared to plans by relying on its partners' processes. For university projects, it received regular updates on the status of risks through its regular meetings with senior university officials. Also, the Department provided the universities with guidance on how to handle specific risks. For regional colleges, the Department, as an active member of the project teams, was directly involved in identifying and mitigating risks on projects. It regularly received information on project costs and status. Through informal means, the Department ensured project teams took appropriate action to resolve concerns as they arose.

Except as noted earlier for school division projects that were tendered in stages, the Department did not request or receive information on costs or project status for school division projects during the construction phase.

The Department primarily used its ongoing relations with the partners to assess the reliability of the information it received. Occasionally, it used its construction professionals (e.g., professional engineers) to assist in this assessment. In addition, the Department relied on certification by external construction professionals (e.g., engineers or architects) of some of the key information it received.

2. **We recommend that the Department document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects.**

Address concerns

To ensure that partners manage potential problems on projects, we expected the Department to have processes:

- *to ensure partners identify and adequately mitigate project risks (e.g., economic, construction, and capacity);*
- *to ensure the Department is aware of the risks and strategies to mitigate them;*
- *to approve appropriate proposed changes to projects;*
- *to evaluate the reasonableness of the changes; and*
- *to provide ideas/assistance to alleviate risk.*

As described above, the Department relies on its partners to assess and manage risks on projects. It did not require partners to document identified project risks for its review or approval. By not formally documenting significant risks prior to or during construction, the Department and its partners may face problems that they could have avoided.

In addition, the Department expects its partners to make timely requests for changes to projects. It treats these requests in a similar manner to initial project requests. It uses similar processes to review and approve them.

The Department did not formally assess the adequacy of the processes each of its partners used to identify and mitigate risks. It is important that the Department take steps to ensure its partners have adequate processes. This will help the Department decide whether it is appropriate to rely on its partners' processes.

Management's response

Management states that:

> The Department has reviewed the conclusion and recommendations contained in the audit of Learning – Processes for Capital Projects. Steps will be taken to address areas recommended for improvement and a progress report will be provided.

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Health

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Main points

The Department of Health's mandate is to protect and improve the health of Saskatchewan people.

In this chapter, we report that information provided to the boards of regional health authorities must continue to improve to better support financial decisions. We also report that the capital equipment plans of regional health authorities continue to be incomplete.

The Department of Health advised our Office that its review of operations of the Métis Addictions Council of Saskatchewan Inc. (MACSI) identified concerns about the governance and financial management of MACSI. Cabinet requested our Office to perform a special assignment to determine whether the money MACSI received from the Department was used appropriately and for the purposes for which it was provided.

We also plan to examine whether the Department used sound oversight practices to ensure that MACSI properly protected public money and spent it prudently and for intended purposes.

We plan to report our findings and conclusions on MACSI in a future report.

Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to health providers and health agencies.

In Chapter 2 of our 2003 Report – Volume 3, we reported the results of our audits of the Department of Health and related Crown agencies for the year ended March 31, 2003 except for the audits of the Board of Governors, Uranium City Hospital (Board) and the Saskatchewan Association of Health Organizations (SAHO). This chapter reports the results of our audits of the Board and SAHO.

We also describe our planned audit of the Métis Addictions Council of Saskatchewan Inc. (MACSI). We will report the results of this audit in a future report.

In addition, we report on the follow-up of our recommendations from two previous audits. The first reports the results of our follow-up of our 2000 Fall Report – Volume 3 recommendations on the information received by boards of district health boards (now regional health authorities) to help them make decisions. The second reports the results of our follow-up of our 2001 Fall Report – Volume 2 recommendation that health districts prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.

Our audit conclusions and findings

For the audit of SAHO, we worked with Deloitte & Touche LLP, SAHO's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/).

In our opinion, for the year ended March 31, 2003:

- **the financial statements for the Board of Governors, Uranium City Hospital (Board) and the Saskatchewan Association of Health Organizations (SAHO) are reliable;**

- **SAHO had adequate processes to safeguard public resources; and**

- **SAHO complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

We did not audit the Board's processes to safeguard resources or its compliance with the law because the Department told us the Board would cease operations before March 31, 2003. The hospital closed on June 2, 2003. Executive Council has not yet issued an Order in Council to dissolve the Board and to determine the disposition of the few remaining assets. The Board is negotiating the transfer of the remaining assets with the Saskatchewan Property Management Corporation.

Métis Addictions Council of Saskatchewan

Background

The Métis Addictions Council of Saskatchewan (MACSI) provides addictions services on behalf of the Department. MACSI is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. For the year ended March 31, 2004, the Department gave MACSI $2.3 million.

A recent review of MACSI's operations by the Department indicated a lack of control by MACSI's board of directors to protect public money and to ensure the money was spent only for purposes intended by the Department.

Our planned audit

Cabinet has requested our Office to perform a special assignment to determine whether the money MACSI received from the Government of Saskatchewan was used appropriately and for the purposes for which it was provided for the period April 1, 1998 to February 18, 2004. We have accepted the assignment.

We also plan to examine whether for the above period, the Department used sound oversight practices to ensure that MACSI properly protected public money and spent it prudently and for intended purposes. In addition, we will examine if the Department took prompt and appropriate action to remedy any significant problems it knew, or should have known, about MACSI's operations during the above noted period.

We plan to report our findings and conclusions in a future report.

Health board information—a follow-up

This section describes action taken on recommendations we made in 2000 when we audited information given to health boards (now regional health authorities). To carry out their responsibilities, the boards of directors of Saskatchewan's regional health authorities (RHAs) require reliable, relevant, and understandable information.

The boards of directors (boards) of RHAs play a key role in delivering health services in Saskatchewan. The boards manage approximately $1.8 billion of public money. They must make decisions about how they will use the money to plan, organize, deliver, and evaluate health services. Adequate information helps boards make appropriate decisions.

In 2000, we examined whether boards received adequate information for making financial decisions. We used the criteria in the Exhibit 1 to assess the adequacy of the information.

Exhibit 1—Criteria for adequate board information

1. **Information for board financial decisions should be relevant**
   - 1.1 is received by board in sufficient time to consider before making decisions
   - 1.2 provides information about progress towards the district's goals and objectives
   - 1.3 helps the board look ahead

2. **Information for board financial decisions should be reliable**
   - 2.1 is accurate and complete
   - 2.2 is neutral, fair and reasonably free from bias
   - 2.3 is verifiable

3. **Information for board financial decisions should be understandable**
   - 3.1 reflects an appropriate level of detail
   - 3.2 explains the context of what happened and its future impact
   - 3.3 provides comparative information
   - 3.4 communicates in a way that makes the information useful

We reported the results of that audit in our 2000 Fall Report – Volume 3, Chapter 2D. We found that three of the six boards we examined did not receive adequate information for making financial decisions.

We recommended that boards request more relevant information that:

- is timely (received soon after the end of the reporting period, and at least one week before meetings);
- describes progress towards goals and objectives (focusing on key measures that monitor progress toward the board's most critical goals and objectives); and
- helps the board look ahead (e.g., projections or forecasts of results, service delivery volumes, staffing levels).

We also recommended that boards improve the reliability of financial and program information they receive by ensuring:

- reports include information about the financial position and program effectiveness of significant affiliates;
- reports disclose significant assumptions used in preparing projections or forecasts; and
- districts standardize the way they collect and safeguard information.

On May 30, 2001, the Standing Committee on Public Accounts agreed with these recommendations.

Action on the recommendations

Each time we make a recommendation, we monitor whether action is taken to address the recommendation. We reported our first follow-up in our 2002 Fall Report – Volume 2, Chapter 5E. In this chapter, we report our second follow-up to assess action taken up to March 2004 to address the recommendations.[1]

Both the health boards and the Department of Health have an important role in ensuring boards have adequate information. Boards are responsible to obtain useful information from their managers and the Department of Health. In addition, the Department is responsible to establish standards for information that supports decisions within the health system.

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[1] See also our audit of the regional health authorities in our 2003 Report – Volume 3, Chapter 2C.

In following up on action taken on our recommendations, we spoke with Department of Health staff who work with the RHAs. In addition, we examined examples of information that managers provided to board members of two RHAs between October 2003 and February 2004.

Department to continue oversight

The Department has taken a number of steps that should improve the relevance and reliability of the information that health board members receive.

For 2003-2004, the Department established an Accountability Document for each RHA. The Accountability Document clarifies what services each RHA must provide. It also sets out the information that the RHAs and the Department are to provide to each other.

The focus of the Accountability Document is the information flow between the Department and the RHAs, and not the information provided to the boards of the RHAs. However, the Accountability Document aims to improve the relevance and reliability of information. This should lead to improved information on which health boards can base their decisions.

For example, the Accountability Document outlines health indicators for the RHAs to use in setting direction and priorities. In 2003, the Department gave information to RHAs that compared their results on six health indicators (e.g., infant mortality, disability-free life expectancy). These key measures give boards relevant information to monitor progress toward objectives.

The Department has not yet set standards for internal financial reports to boards. It should do so. In 2003, the Department introduced a provincial chart of accounts for categorizing sources of money RHAs receive and the purposes of RHA spending. All RHAs now use common categories to record the money they receive and spend. Using a common chart of accounts makes it easier to create comparable financial reports.

The Department does not receive board information packages from all RHAs. The Department should obtain these packages to allow it to monitor the quality of information that board members receive. The Department monitors the information it receives to identify issues and concerns. In addition, the Department arranged an education session that helped board members discuss the information that they wish to receive.

Board information needs continued improvement

The 2003-04 board information we examined showed a number of positive features. In terms of relevance, the board information described the progress of RHAs toward goals and objectives. Some information helped board members look ahead and address risks (e.g., privacy, critical incidents). A few samples compared information from two time-periods to show trends. Not all information reached board members on a timely basis.

In terms of reliability, some of the board information described how the RHAs collected and analyzed data. Providing such information helps board members assess the reliability of the information. However, some projections did not describe the assumptions on which they were based. Assumptions help board members assess whether projections are realistic.

Boards are making progress, but board information must continue to improve. Health boards need relevant, reliable, and understandable information that will assist them in making decisions.

We encourage boards, as well as managers, the Department, and legislators to use the criteria set out in the Exhibit to improve the information the boards receive. We plan to continue evaluating the information that all boards use to make decisions.

Regional capital equipment plans—a follow-up

In this section, we describe actions managers took on recommendations we made during our 2001 audit of capital equipment plans in health districts now regional health authorities (RHAs).

Capital equipment is important in the health sector. If an RHA does not adequately manage its capital equipment, it risks not being able to deliver health services. Inadequate capital equipment also affects capacity to provide care that is safe, effective, and efficient. Inadequate equipment can result in increased waiting times, false test results, or faulty treatments.

Capital equipment is costly. One RHA estimates it should spend up to $20 million each year to update the $173 million of capital equipment it uses. Resources are not stable in this area—budgets vary widely from year to year. Having an adequate plan would help managers and boards respond promptly if new resources become available.

Capital equipment is also complex. RHAs plan for clinical, non-clinical, and information technology equipment. We focused on clinical equipment (e.g., beds, stretchers, monitors, respirators, diagnostic imaging, laboratory equipment, and ambulances).

In our 2001 Spring Report, we described best practices for the content of capital asset plans in the public sector (Exhibit 2): We used these best practices to audit capital equipment plans in the health sector in 2001.

Exhibit 2—best practice for capital asset plans

Public sector capital asset plans should include the following key elements:

1. the capital equipment required to support strategic objectives & programs;
2. the gap between required and existing capital equipment;
3. strategies to manage capital equipment;
4. justification of capital equipment strategies; and
5. financial implications of strategies.

In 2001, we assessed whether the capital equipment plans of two health districts adequately included the key elements of capital asset plans in the public sector. We reported the results of our audit in our 2001 Fall Report – Volume 2, Chapter 6D.

In 2001, we found that one district's capital equipment plan was largely adequate and the other district's was not. We recommended that all health districts prepare capital equipment plans that are complete.

The Standing Committee on Public Accounts considered and agreed with our recommendation on February 19, 2002.

Action on the recommendation

Each time we make a recommendation, we monitor whether managers take action. In early 2004, we talked to key staff in the Department of Health and one large RHA. We also examined what several RHAs reported about capital equipment in their annual reports.

Capital equipment plans are improving but they vary widely. Some RHAs have long-term plans for specific types of equipment (e.g., beds, lifts). Others have a more complete list of the clinical equipment they need. The Department does not require RHAs to submit long-term capital equipment plans. The Department should require complete capital equipment plans from all the RHAs so that the Department can prepare a capital asset plan for the health system.

The Department requires RHAs to submit a capital equipment summary of their budget requests each year. The RHAs prioritize urgent equipment needs. Then they decide whether to seek resources from the Department, donations, or their operating budget. The RHAs submit to the Department the summary list of potential purchases.

Based on these annual lists, the Department determines its priorities and allocates a capital equipment budget to each RHA. The Department does not yet have a capital equipment strategy for the health system. Without a long-term capital equipment plan, the Department cannot project important future needs or balance demands from year to year. The Department continues to focus on capital construction.

Long-term capital equipment plans help to provide reasonable access to safe health services. Regional health authorities do not yet have complete plans for the capital equipment they need to provide clinical services. We will continue to monitor how the Department and the RHAs work together to plan for adequate capital equipment.

Community Resources and Employment

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Main points

Community Resources and Employment is one of the largest departments in the Government. How it fulfils its mandate directly impacts the lives of many Saskatchewan citizens. In this chapter, we focus on three areas.

First, the Department reports that about 56,000 households have housing problems. Inadequate housing affects economic independence, health, and the school performance of children. Access to affordable, adequate housing is a major barrier for increased participation by disadvantaged people in society. The Saskatchewan Housing Corporation (SHC) works with the Department to provide housing to some of these people.

SHC manages a portfolio of nearly 31,000 housing units valued at $2.7 billion. These units are located through the province. The Government expects SHC to sustain this portfolio over the long term. To achieve this, it is critical that SHC has a good capital plan.

We report that although SHC's capital plan contains most of the information necessary for decision making, it needs to improve. As yet, the Plan does not set out the specific measures SHC would use to determine the appropriate size, mix, and condition of the housing portfolio and what SHC expects to achieve with the portfolio by when. It should. SHC needs this information to ensure that its plans include the right activities to operate and maintain the portfolio efficiently.

Second, we describe our audit plans to determine whether the Department has adequate processes to measure its progress in helping welfare recipients to find and keep work.

Third, as the Department recently reported, it is taking steps in response to concerns we raised in our last report about its child welfare and employment and income assistance programs. In that report, we stated that the Department did not adequately follow its policies and procedures to ensure that only eligible persons receive the correct amount of assistance and that children in care are protected. In response, the Department has prepared a long-term plan to improve compliance with its rules and procedures. We will assess the Department's success in using this plan in our future reports.

Introduction

The mandate of the Department of Community Resources and Employment is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, childcare, career services, and employment programs. The Department helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

The Department is responsible for Saskatchewan Housing Corporation (SHC). In this chapter, we set out results of our audits of SHC.

In addition, we describe the Department's plans to improve its compliance with its rules and procedures to ensure that only eligible persons receive the correct amount of welfare and that children in its care are protected.

We also describe our audit plans to determine whether the Department has adequate processes to measure its progress in helping welfare recipients to find and keep work.

Our audit conclusions and findings

In Chapter 3 of our 2003 Report – Volume 3, we reported the results of our audits of the Department and its special purpose fund, Social Services Central Trust Account, for the year ended March 31, 2003.

Our Office worked with KPMG LLP, SHC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. To view a copy of this report, see our web site at http://www.auditor.sk.ca/. KPMG LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2003:

- **the financial statements for SHC are reliable;**
- **SHC had adequate processes to safeguard public resources; and**

- **SHC complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

In the following sections, we set out matters of significance to the Assembly along with the results of our audit of whether the SHC's capital asset plan, at March 31, 2004, was adequate for helping make decisions.

Department's actions to address our recommendations

In this section, we describe the actions the Department has taken to address two of our previous recommendations for the year ended March 31, 2003.

In our 2003 Report – Volume 3, we recommended that the Department follow its established rules and procedures to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance. We found that the Department often did not fully document the eligibility of persons receiving social assistance. Department records did not contain all required information such as client identification, employability, assets, income, and dependents. As a result, the Department did not know whether only eligible clients receive assistance and that they receive the correct amount of assistance

We also recommended that the Department follow its policies to ensure that children in its care are protected and that payments to care providers are authorized. We found, for example, that the Department often did not do criminal record checks on adults caring for, or living with, children in care.

The Department has prepared a *Quality Improvement Plan* (Plan) to ensure adequate compliance with its policies and procedures over payments for social assistance and children in care.

The Plan sets out objectives, risks to achieving objectives, strategies and actions, performance measures, and required reporting to senior management on progress in achieving objectives. The Plan includes developing baseline data and performance targets for each performance measure by March 31, 2005. If senior management maintains long-term commitment to the Plan, it should provide a reasonable basis for the

Department to achieve and maintain compliance with its policies and procedures.

We will monitor the Department's implementation of the Plan and report our findings in future reports.

Saskatchewan Housing Corporation

Background

In Volume 1 of our 2003 Report to the Legislative Assembly, we set out four key risks that the Saskatchewan Housing Corporation (SHC) must manage well to be successful. As one of the four risks, we noted that SHC must manage its resources to deliver its mandate. In this chapter, we report on the adequacy of SHC's capital asset plan.

Housing is a basic need. In Saskatchewan, people on social assistance or with disabilities, single parent households, persons living alone, and Aboriginal households have the greatest need for affordable and adequate housing. The Government expects the need for affordable and adequate housing to grow.

SHC works with the Department of Community Resources and Employment (Department) to provide affordable and adequate housing to people who cannot access such housing. In March 2004, the Department introduced a new five-year Housing Policy Framework.[1] This Framework includes the Government's plans for SHC's housing portfolio. The Government continues to expect SHC to sustain the housing portfolio over the long term.

SHC coordinates its services through about 270 local housing authorities,[2] and through more than 180 other organizations (e.g., non-profit organizations, housing co-operatives, and private property owners).

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[1] *2004-2005 Saskatchewan Provincial Budget: Performance Plan*. Saskatchewan Community Resources and Employment, p. 1.

[2] The Minister responsible for the Corporation sets up local housing authorities to provide community-based management for housing assets. The Corporation controls the authorities.

SHC is responsible for a portfolio of nearly 31,000 housing units in 348 communities. Its portfolio is valued at approximately $2.7 billion.[3, 4] Through the authorities, it owns and rents out 18,500 housing units. Through agreements with organizations, it provides a further 11,500 housing units. It spends over $30 million on maintenance and rejuvenation each year.

Good management of public housing assets is critical to the success of SHC. Planning is a key part of management. Sound capital plans ensure SHC has the information required to prepare and support its long-term strategic plans. In addition, sound capital asset plans help communicate consistent and clear messages. This is important for SHC because of the large number of authorities and other organizations with which it works.

Audit objective

The objective of our audit was to determine whether the capital asset plan of SHC was adequate for decision-making. We focused on the capital asset plan available for use on March 31, 2004.

Audit approach and criteria

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We focused on housing assets such as the land and housing units that SHC owns, as well as those units provided through agreements with other organizations. We call the land and units the housing portfolio. In addition, we use the term "agents" to describe the local housing authorities and other organizations. We did not include computerized information systems within this audit.

To determine the adequacy of the capital asset plan, we used the criteria listed in the following Exhibit. The criteria focus on information required to prepare and support long-term strategic plans. We recognized that SHC's

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[3] Government of Saskatchewan, Annual Report 2002, Saskatchewan Housing Corporation, An Agency of Social Services, p. 4.
[4] *2004-2005 Saskatchewan Provincial Budget: Performance Plan.* Saskatchewan Community Resources and Employment, estimate of replacement value, p. 3.

capital asset plan is not a single document. Rather we used the criteria to determine if SHC documents the necessary information in an understandable and accessible way.

These are the same criteria we used on past audits at various Health Districts (now called Regional Health Authorities), the Department of Justice, and the Department of Health. We reported the results of these audits in the following past reports to the Legislative Assembly: Chapter 6D of the 2001 Fall Report – Volume 2 (District Health Boards), Chapter 7 of the 2002 Fall Report – Volume 2 (Justice), and Chapter 2A of 2003 Report – Volume 3 (Health). Each of these agencies, along with SHC, have confirmed that the criteria are reasonable and appropriate.

Exhibit—Criteria for capital asset plans

Public sector capital asset plans should include the following:

1. **Capital assets required to support strategic objectives and programs**
   - overview of strategic objectives that will impact capital assets
   - summary of required capital assets for next ten years in line with strategic direction
   - responsibility for capital assets
2. **Gap between required and existing capital assets**
   - summary of existing capital assets
   - risks related to existing capital assets
   - gap between existing capital asset capacity and needs for ten years
3. **Strategies to manage capital assets**
   - strategies to obtain capital assets to meet program needs
   - strategies to operate capital assets
   - strategies to maintain capital assets
   - strategies to dispose of capital assets no longer usable or required
4. **Justification of capital asset strategies**
   - criteria used to select capital asset strategies
   - outline of capital and non-capital alternatives to achieve strategic objectives
   - explanation of how capital asset strategies minimize key risks
5. **Financial implications of capital asset strategies**
   - estimated life-cycle costs for planned capital assets over the next ten years
   - sources of money to carry out capital asset strategies

Audit conclusion

As at March 31, 2004, SHC's capital asset plan was adequate for decision making except that it did not include how SHC expects to determine and measure how well it sustains the housing portfolio over the long term.

Good capital plans include key strategies to support the long-term strategic plans. In addition, capital plans set out how SHC will show achievement of related strategic objectives. SHC is expected to sustain its housing portfolio over the long term. It is critical that its capital plan show how SHC will achieve its objectives.

Findings by criteria

In this section, we describe in italics the criteria in more detail and our key findings for those criteria. We describe these findings to illustrate existing practices and to highlight challenges faced by SHC. In addition, we make a recommendation for improvement.

Capital assets required to support strategic objectives and programs

A capital asset plan includes an overview of the strategic objectives that will impact capital assets. It highlights the nature of programs and changes in strategic direction requiring capital assets.

A capital asset plan summarizes estimated capital assets required to support SHC's strategic objectives and programs over the long term (e.g., ten years). It sets out key measures to track the achievement of the related strategic outcomes. It sets out the major assumptions used (e.g., demographics, program changes, and estimated remaining useful life of key assets). It states the responsibilities of each key party for capital assets and changes to the capital assets.

SHC's capital asset Plan (Plan) recognizes that SHC's housing portfolio is an integral part of the delivery of adequate and affordable housing in Saskatchewan. The Department's Housing Policy Framework and its 2004-05 Performance Plan set out its expectations of the housing portfolio for contributing to the achievement of the Department's strategic objectives. As stated, the Government continues to expect SHC to sustain most of the existing 31,000 housing units over the long term and to provide, by 2008, an additional 2,000 housing units for low- and moderate-income households (i.e., expected outcome).

SHC maintains detailed descriptions of its housing programs. The descriptions include a current summary of the existing housing portfolio by type (e.g., senior, family, special needs) and program (e.g., rental supplement, cooperative). For each program, the descriptions set out the objective, target group, eligibility criteria, assistance available, cost-sharing, and current level of SHC's involvement. It distributes these descriptions widely.

The Plan, as yet, does not set out, *in a quantifiable way*, how SHC expects to assess the extent to which it achieves its expected outcomes. That is, the Plan did not include the following: the specific measures that SHC will use to determine the extent to which the housing portfolio is sustained as expected (i.e., performance measures), the starting point of each measure (i.e., baseline), and what SHC expects to achieve with the housing portfolio and by when (i.e., targets).

For example, SHC could use the condition (e.g., poor, good, very good) and the economic life (e.g., number of years of remaining useful life) of the housing portfolio as ways to determine the extent to which it achieves its expected outcome. To make these measures useful, SHC would need to take the following steps. First, decide how to measure the actual condition and remaining economic life of the portfolio. Second, decide the level of performance that it expects (i.e., targets) for each (e.g., 90% of the units in good condition and available for an additional 30 years). Third, periodically measure the actual level for each measure and compare these results to its targets. Use of these steps would provide SHC with information to adjust the nature, extent, or timing of its processes to operate and maintain the units, as necessary.

The Plan includes several long-term assumptions. These include demographic projections (e.g., trends in intra-provincial migration), increases in operating and maintenance costs, and sources of money available to SHC. The Plan adequately addresses the ownership and responsibility for the existing housing portfolio. SHC uses standard agreements with its agents. Agreements with authorities are ongoing.

Agreements with other organizations are typically for 35 years. These agreements set out the broad responsibility of each party for the specific housing units. In addition, SHC's manuals provide further detail on the roles and responsibilities of each party. SHC provides these manuals to its agents.

1. **We recommend that the Saskatchewan Housing Corporation's capital plan show:**
   - **the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures),**
   - **the starting point of each measure (i.e., baseline), and**
   - **what the Corporation expects to achieve with the housing portfolio and by when (i.e., targets).**

Gap between required and existing capital assets

A capital asset plan summarizes the capacity of existing capital assets. It identifies assets by type, size, and location. It sets out the current condition of assets (e.g., estimated remaining life, current state, or need for repairs).

A plan describes the gap between existing asset capacity and the assets needed to deliver programs over the long term (e.g., next ten years). It identifies surplus assets or excess capacity. It also sets out points in time when the need for specific assets is critical.

A plan outlines risks related to its assets (i.e., limitations in use; industry, safety; or performance standards that might not be met; occupancy rates, downtime; and maintenance history).

SHC's Plan summarizes most aspects of the capacity of its housing portfolio. It does so in terms of the type, size, and location of housing units. It identifies the number of units with chronic vacancies by location. SHC bases the Plan on the general overall condition of the housing units.

SHC inspects each unit in various ways. First, it expects its agents to inspect units and to record the results of these inspections. Second, through periodic reviews of the operations of its agents, SHC inspects units and checks if its agents have done their inspections. Third, it directly inspects each unit over a cycle. It inspects units managed by authorities every two years. It inspects units managed by other organizations every three years.

These inspections determine the condition of units and highlight problems or issues. The inspection reports of units managed by other organizations summarize the condition (e.g., as poor, good, or very good) and the estimated economic life of each unit.

The Plan identifies the immediate and long-term need for housing. It sets out the need in the following way: the number of households by key intervals (e.g., 62,000 households by 2011), general type of need (e.g., seniors, single parents, special need), and location (e.g., northern communities). The Plan recognizes the significant gap between the existing housing portfolio and housing needs.

As stated in the 2004-05 Performance Plan, "social housing is a scarce resource that can never meet all housing needs of low-income people." The Department does not expect SHC to satisfy this gap. Rather, the Department expects SHC to maximize the use of its portfolio. In addition, the Department uses its other programs to provide services to others in need of adequate housing.

The Plan identifies the key risks associated with its housing portfolio and its ability to deliver its programs and services. For example, risks include increasing repairs due to an aging portfolio, units not suitable for changing needs of tenants, vacancies in communities experiencing depopulation, and declining federal funding.

Strategies to manage capital assets

A capital asset plan includes strategies to manage the assets. These include strategies to maintain, operate, dispose of, and acquire assets. These strategies are based on key information (e.g., type, size, location, age, estimated remaining life, history of maintenance, and current condition) that is reasonable, current and assessable.

Strategies to maintain assets set out and track the expected frequency, level, and processes to maximize the life and performance of the asset.

Strategies to operate assets identify and track key requirements necessary to achieve expected capacity. They state the qualifications or training required of related personnel.

Strategies to dispose of assets identify and track assets no longer of use or useable. They set out opportunities for re-use, destruction, or removal of assets.

Strategies to acquire new assets state the types of assets necessary to meet needs. They set out expected standards for performance, desired method of acquisition (e.g., buy, build, rent), and identify potential partners, as appropriate.

The agents directly manage the housing portfolio. SHC expects them to collect and maintain key information on each unit. SHC also collects and keeps some of this information directly.

The Plan indicates that SHC does not expect to change its strategies to manage the existing housing portfolio significantly from the past. SHC's focus is to sustain the portfolio over the long term. SHC was responsible for sustaining the portfolio in the past as well. As a result, it does not expect the frequency, level and nature of its activities to change significantly over time.

The Plan reflects activities based on signed agreements with its agents and the federal government. These agreements set out general operating and maintenance activities expected for the existing housing portfolio. These are long-term agreements (e.g., 35 years). Agreements with the federal government set out the funding SHC can expect until 2038.

In addition, SHC uses standards to set out its strategies to maintain and operate its units. SHC sets out its standards in manuals and training workshops. It provides these to its agents.

Its standards are set to ensure its agents know how SHC expects them to operate and maintain the units. The standards include inspections, environmental concerns, signage, landscaping, vacant unit turnaround times, and snow removal. The Department expects its agents to follow these standards. Periodically, it checks to see if they do so.

As stated, measurable targets help determine the nature, extent, and timing of activities necessary to meet the desired outcomes. SHC uses its standards to guide the nature, extent, and timing of its activities. Because the Plan does not include measurable targets, we cannot determine if SHC's standards reflect the amount of effort necessary. That is, the standards may require more or less effort than necessary for SHC to sustain the portfolio over the long term.

The Plan identified units with chronic vacancies. The Plan sets out a process to determine surplus units, and alternate means of disposal.

Justification of capital asset strategies

A capital asset plan describes the reasons for key decisions about capital assets. By justifying asset strategies, the plan provides important information about what the agency is expecting to achieve with the assets. It identifies related performance expectations, states key assumptions, and sets out criteria used to select the capital asset strategy.

The plan outlines alternatives, including non-capital alternatives, for achieving its objectives. It may rank the alternatives using stated criteria.

The plan explains how the selected strategies will minimize key risks. It may include how timing will ensure assets are available when required.

SHC's capital asset plan outlines reasons for its key decisions relating to capital assets. As stated, at March 31, 2004, SHC plans to sustain its housing portfolio.

The Plan generally explains how its strategies, along with the Department's housing programs, will assist people in need of adequate housing. Key reasons for the approach include the level of planned and expected government funding, age of the housing portfolio, vacancies due to depopulation in communities, inflation outstripping growth in rents, and the gap between the existing housing portfolio and the projected housing needs. The Plan includes key assumptions (e.g., inflation rate, vacancy rate, rent based primarily on tenant's level of income) along with known factors (e.g., expected federal funding).

The Plan outlines alternatives including non-capital alternatives for pursuing its objective of providing housing for those who cannot afford such housing. For example, it provides one-time grants to increase the supply of affordable housing

The Plan also describes how selected strategies will minimize key risks such as reliance on social housing or controlling costs as the portfolio ages.

Financial implications of capital asset strategies

A capital asset plan describes the financial implications of its strategies. It includes an estimate of the costs to operate, maintain, obtain, and dispose of assets over the long term—up to ten years. Often agencies refer to these costs as life-cycle costs.

In addition, the plan identifies how the agency intends to finance the asset strategies (e.g., debt, cost sharing, user fees, donations, grants).

SHC's capital asset plan describes the financial implications of its strategies over the long term. It includes estimates of costs to operate the existing portfolio for the years 2004 to 2008, as well as long-term estimates for about 20 years. In addition, it sets out assumptions that affect its operating costs. These include changes in interest rates, property taxes, utility rates, and wages. Given its focus is to sustain the existing portfolio, SHC assumes the nature, extent, and level of operating activities will not change significantly over time.

The Plan estimates maintenance costs over 25 years for the 18,500 units on a unit, key activity, and overall basis. It sets out the number of housing units, number of buildings, square footage of the units, type of building, type of building construction (e.g., metal siding, flat roof), and key contents (e.g., appliances).

Its 25-year projection of maintenance costs includes key assumptions about the nature, extent, and level of key maintenance activities (e.g., roof replacement, painting). It does not base the timing of these activities on the current condition of each unit or on its maintenance history. As with operating activities, SHC assumes the nature, extent, and level of maintenance activities will not change significantly over time.

The Plan clearly sets out sources of funds over the long term. It describes the money expected over 10 years from the federal government and rent from tenants.

Our future plans

We will assess SHC's actions to improve its capital asset plan and report our results in a future report.

Moving people from welfare to work—planned audit

The Department has developed processes to measure its progress in helping low income earners and welfare recipients find and keep work. This section explains the significance of these processes. It also outlines the criteria we will use to assess the Department's practices. We plan to complete the audit and report our conclusions and findings to the Legislative Assembly in December 2004.

In 1997, the Department launched a program called *Building Independence – Investing in Families*. The purpose of this program is to assist low income families to meet the costs of raising children and reduce barriers to work for families on welfare.

Over the past decade, many governments in Canada and the United States have developed similar programs. Governments often refer to these programs as "moving people from welfare to work."

The Department's 2002-03 Annual Report states that "*Building Independence" has contributed to a steady decline in the number of individuals and families relying on social assistance. In 2002-2003, the Saskatchewan Assistance Plan caseload averaged 29,683 cases, representing a decrease of more than 10,500 cases from the 1994-1995 average*.

The Department has made changes to existing programs and added new programs since "Building Independence" was started in 1997. In 2002, the Government transferred responsibility for several labour market programs from the Department of Learning to the Department of Community Resources and Employment. These labour market programs were transferred to the Department of Community Resources and

Employment to better integrate its Building Independence program with existing labour market programs.

Measuring progress in helping welfare recipients find work

Citizens expect government agencies to produce more public benefits with the same or less resources, just as they expect businesses to sell them better products and services at the same or lower prices. Government agencies can improve their results by directing resources to effective programs and removing resources from less effective ones. Without reliable information on what programs are effective or not, management cannot make good decisions.

While it is essential for the Department to measure its success in moving people from welfare to work, it is not easy. The main difficulty is that many factors external to the Department's programs influence the number of people on welfare. These external influences include other government programs, economic downturns, population age, poverty rates, single parent families, disabilities, substance abuse, and the demand for labour. Even local circumstances, such as the availability of inexpensive public transit, can affect the number of people on welfare.

These external influences make it essential that the Department have good processes to collect and assess information on the status of people on welfare and those who have moved off welfare into employment. While this information will not be perfect, it will help the Department to assess how well its programs are working.

Our audit objective, criteria, and timing

The objective of our planned audit is to determine whether the Department of Community Resources and Employment has adequate processes to measure its progress in helping welfare recipients, and other persons seeking financial assistance, to find and keep work.

We will use criteria to assess the Department's processes. To identify the criteria, we reviewed relevant literature, reports of other auditors, and measurement processes in other jurisdictions. We also consulted with an expert in this field.

Our criteria, set out in the Exhibit, describe the key processes that we expect the Department to use in measuring the effectiveness of its programs. The Department accepts these criteria as reasonable standards for assessing its processes.

Exhibit—Audit criteria for measuring progress

To measure its progress in helping welfare recipients, and other persons seeking financial assistance, to find and keep work, the Department should:

1. **Define performance measures for moving people from welfare to work**
    1.1 Clearly define measures
    1.2 Set targets for moving people from welfare to work
    1.3 Communicate measures and targets to management and staff
2. **Obtain relevant and reliable information about welfare recipients**
    2.1 Define the data needed for each measure
    2.2 Establish adequate processes for collecting the data
    2.3 Ensure data is reliable
3. **Analyze the information that is collected**
    3.1 Assess data results
    3.2 Ensure that the conclusions reached are consistent with the findings
4. **Report progress in achieving targets to senior management**
    4.1 Reports provide useful information to management
    4.2 Reports are reliable and understandable

Our planned audit will assess the Department's processes at June 30, 2004. We will follow *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our audit will recognize that evaluating the effectiveness of welfare to work programs is a long-term, complex process. The Department uses various processes, methods, and activities to assess the short and long-term effectiveness of its programs. Accordingly, the Department emphasizes different criteria at various times. For example, before the Department selects a performance measure, it must ensure that accurate data is available at a reasonable cost. At the same time, targets can be difficult to define until reliable baseline data is available. Proper analysis cannot occur until sufficient data has been collected over a reasonable time period. In doing our audit, and in drawing conclusions and recommendations, we will recognize these realities.

We plan to report our findings and recommendations this fall in our 2004 Report – Volume 3.

The remainder of this report describes the criteria in more detail.

Our expectations for Department processes

Define performance measures for moving people from welfare to work

We expect the Department to decide how it will measure its progress in achieving its objective of moving people from welfare to work.

Effective measures are easy to understand, are quantifiable, state expected outcomes, and relate to objectives. Measures also identify a starting point or baseline against which the Department can measure its future progress.

The Department should set targets for each measure to indicate the level and timing of expected results. Targets enable the Department to monitor progress and to take corrective action when results do not meet expectations. Targets should be challenging, but must reflect the long-term nature of helping people move from welfare to work.

The Department will need to communicate its measures and targets to staff. To be able to help the Department to achieve its objectives, staff need to know what they are working towards and why.

Obtain relevant and reliable information on welfare recipients

We expect the Department to identify the data that it must collect about welfare recipients. Relevant and reliable data will enable the Department to monitor its progress and report results to senior management.

Useful data is statistically representative of all welfare recipients. It is cost effective, accurate, and unbiased.

Effective processes for collecting data can include using a variety of collection methods and data sources. These could include surveys, reviews of internal and external administrative data, and interviews with current and former welfare clients and Department staff. The Department also should consider when to collect the data and the periods covered. For example, it will want to collect the same data on the same recipients at different intervals to assess the long-term impact of its programs.

Analyze the information that is collected.

We expect the Department to analyze the information that it collects to measure the effectiveness of its programs for helping to move people from welfare to work.

A formal plan would aid in the data analysis. Such a plan would set out the analysis objectives, the data required, and the nature and extent of the analysis. Sound plans identify and describe ways to manage challenges and reduce potential risks in doing the analysis.

Analysis of welfare information is complex because factors outside the Department's control affect welfare rates. Evaluation plans should use valid models, rules, and procedures to take into account the impact of external factors like the economy and other government programs.

Staff independent of the welfare to work programs should do the evaluations and draw conclusions. The Department may need to employ outside experts to assist in analysing data and reaching conclusions.

Report progress in achieving targets to senior management

We expect senior management to receive regular reports that allow them to monitor the Department's success in moving people from welfare to work.

Useful reports are relevant, reliable, understandable, and timely. Such reports explain performance against previously agreed targets. They describe how the Department manages key risks to achieving planned results. They show the cost of activities to move people off welfare, the savings from reduced welfare payments, and the benefits and costs to welfare recipients. Useful reports include recommendations on how to improve performance.

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Workers' Compensation Board

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- Communicate expectations for processing claims 228
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Main points

Administering injured workers' claims is a complicated task. The WCB has extensive and generally well-documented processes for administering claims. During 2003, the WCB significantly changed many of its processes including its human resources and quality control processes.

We found that the WCB had adequate processes to administer claims except that it needs to receive injury reports from employers promptly, identify all claims where recovery may be possible from other parties, and ensure the actuaries use accurate data to calculate benefits owing to injured workers. It also needs to set guidelines for documenting its quality control work, and it needs to monitor the quality of work assigned to case management teams. Also, the Board needs to define its reporting needs to oversee administration of claims and receive and approve an adequate work plan for the internal auditor.

We also report that the WCB's financial statements for the year ended December 31, 2003 are reliable and the WCB complied with authorities governing its activities.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979*. This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for the administration of the Act.

The WCB included its 2003 financial statements in its 2003 annual report. The WCB's financial statements report revenue of $225 million, expenses of $233 million, and net deficit of $8 million. At December 31, 2003, the WCB had assets of $889 million.

Our audit conclusion and findings

Cabinet appointed Deloitte & Touche LLP (Deloitte) as the WCB's auditor. Our Office worked with Deloitte using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/). Our Office and Deloitte formed the following opinions.

In our opinion for the year ended December 31, 2003:

- **the WCB's financial statements are reliable;**
- **the WCB had adequate rules and procedures to safeguard public resources except for the matters reported below; and**
- **the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

Administering injured workers' claims

In our 2003 Report – Volume 1, we said we would examine, in depth, the WCB's new system to administer injured workers' claims. In March 2003, we completed our research and developed general criteria to assess the adequacy of the new claims adjusting system. We reported the proposed criteria in our 2003 Report – Volume 1. The WCB agreed that the proposed criteria were reasonable and attainable. The Exhibit below describes the agreed upon criteria. The criteria do not assess the processes relating to injured workers' appeals and the Board's adjudication of those appeals.

Exhibit

To adequately administer injured workers' claims, the WCB needs to:

1. **Communicate internally and externally its expectations for processing claims**
2. **Build its human resource capacity to meet its claims processing policies**
3. **Process injured workers' claims**
4. **Maintain a quality control system for processing injured workers' claims**
5. **Provide senior management and Board members with adequate financial and performance information**

We have now completed our work. We describe below the results of our audit. For each criterion, we describe our expectations (in italics), what we found, and our recommendations, if any, for improvement. We use "WCB" when we refer to the Workers' Compensation Board as an agency, and use "Board" when we refer to the members of the Workers' Compensation Board appointed by the Government.

Communicate expectations for processing claims

We expected the WCB would have processes to:

- *develop expectations aligned with its strategic and business plan;*
- *implement a plan to communicate expectations internally and externally;*
- *describe its culture and attitude towards claims and fraudulent claims; and*
- *meet information needs of workers and employers within the parameters of the privacy guidelines and the WCB legislation.*

In its strategic plan, the WCB states that to support its mission and vision, it will provide the right service, at the right time, and be cost-effective in its processes. The WCB has developed expectations aligned with its strategic and business plan. Those expectations include expectations for administering (processing) injured workers' claims. The WCB uses a balanced scorecard to help assess its performance. The scorecard measures various service expectations, such as satisfaction of workers and employers, and time to make the first payment on a claim.

The WCB provides a lot of information to the public. The WCB's strategic and operational plans are on its web site. Also, the WCB provides information to employers and workers through regular newsletters and various brochures. This information covers the typical information needs of workers and employers.

The WCB's web site includes many of its policies and procedures for adjusting claims. In addition, the WCB also offers seminars and workshops on topics such as injury prevention and disability management. However, the WCB does not have a formal communication plan. A communication plan would assist the WCB in reaching the right audiences with appropriate messages.

The WCB educates its staff regarding expectations for processing claims. It delivered customer service training to staff in 2002. Management told us follow-up training would include service expectations. The WCB also reflects its culture and attitude toward claims in its strategic plan. It informs workers, employers, health care providers, and the public about fraud and the consequences of fraud.

The WCB has implemented procedures that govern information sharing. The procedures address staff confidentiality and provide guidance on how staff should respond to requests for information from workers, dependents, employers, and the media. The WCB has processes that limit staff access to claim information.

Also, the WCB requires other agencies to preserve confidentiality when it provides information on injured workers to other government agencies (such as the Office of the Worker's Advocate).

In summary, the WCB has adequate processes to communicate internally and externally its expectations for processing claims.

Build human resource capacity to meet claim-processing policies

We expected the WCB would have processes to:

- *establish and document competencies for staff dealing with injured workers' claims;*
- *develop a strategy to promote competency (e.g., document job descriptions, hiring process, training and development, career and performance management);*
- *evaluate human resource capacity against needs; and*
- *plan for succession.*

The WCB uses a framework that it has developed to build competencies for staff dealing with injured workers. The framework is based on detailed descriptions of required behavioural and technical competencies.

Managers work with human resources staff to identify appropriate levels of competencies needed for specific positions. The WCB uses these competencies to enhance job descriptions and support performance evaluations. Recruitment and selection processes also focus on desired competencies. The WCB is now developing competencies for its unionized employees.

The WCB has processes to help promote competencies. It has developed a detailed competency guide for employees and managers. The WCB has integrated training and development needs into its performance evaluation processes. It delivers training to its staff and supports staff in pursuing self-development. The WCB has a process to consider development requests from its staff and to monitor results.

The WCB's training for managers highlights the importance of evaluating human resource needs in light of the WCB's strategic and operational plans. The WCB has a written plan to identify gaps, if any, in its human resource capacity. Also, the WCB has set out its process for developing a succession plan.

In summary, the WCB has adequate processes to build its human resource capacity to meet its claims processing policies.

Process injured workers' claims

We expected the WCB would have processes to:

- *determine injured worker claims (e.g., use the Act and Board policies to determine: coverage, entitlement to benefits, amount of benefits, reports to substantiate claim, approval limits to follow, timing of payments);*
- *regularly determine benefits liabilities (e.g., correctly record claim data, costs correctly coded to employer and claim code);*
- *use indicators to flag suspicious claims for investigation;*
- *investigate suspicious claims;*
- *identify claims for possible subrogation; and*
- *seek regular advice from the internal actuary and external actuary on the adequacy of the benefits liabilities.*

The WCB administers a large number of claims every year. In 2003, it received approximately 39,000 claims compared to approximately 40,000 claims for 2002.[1]

Administering a claim involves interrelated processes. First, the WCB must decide whether the employer of the injured worker is covered by the WCB. Second, it must decide if the injury occurred at work. The WCB then determines the amount of benefits an injured worker is entitled to receive and for how long. The WCB strives to provide prompt payment of benefits and monitors its success.

The WCB uses established policies to administer claims. It makes many of those policies public through its web site. Although the WCB communicates to its employees the established policies and any changes to those policies, sometimes employees do not fully understand those policies. The WCB needs to ensure staff fully understand the revised policies. When staff do not fully understand policies, they may apply these policies differently. Different application of policies could result in inconsistent benefits.

In accordance with the Act, the established processes require employers to submit their reports on worker injuries within five days of the injury. The WCB cannot process claims promptly if it does not receive necessary injury reports from employers. Under the Act, the WCB has the authority to take punitive actions against employers who consistently fail to provide timely injury reports. However, the WCB has not established processes to ensure it receives timely injury reports from employers. We found many instances where employers submitted injury reports late. Delays in employers' reporting delay payments of benefits to injured workers.

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[1] See *2003 Annual Report* of Saskatchewan Workers' Compensation Board.

To determine the benefits it must pay, the WCB needs to correctly record claim data and classify claim costs. Generally, the WCB correctly records and classifies claim data, including costs. However, we found some instances where employees incorrectly classified claim costs or did not adjust claim costs to reflect inflation. Later, the WCB reviewed and corrected the claim data.

Like any other insurance program, the WCB faces a risk of fraud. The WCB has processes to help its employees to identify fraud, including fraudulent activities of employers, injured workers, and healthcare providers. The WCB trains its employees to detect fraudulent claims. It has developed written guidance to help identify suspicious claims and to investigate such claims. However, the WCB could improve its documentation of its investigations. The WCB considers the results of these investigations and makes necessary changes to claim administration processes. It also informs the public about fraud and the consequences of fraud.

Sometimes, faulty equipment or design of infrastructure may cause injury to workers. When the WCB determines that injuries occur due to the fault of others, the WCB can try to recover the cost of claims (subrogation) from other parties who may be responsible for injuries to workers. The WCB has processes to flag potential claims for subrogation. It has developed guidance for employees to flag such claims for recovery. However, employees did not always know of the written guidance. As a result, employees did not always flag claims for possible subrogation.

The WCB obtains regular advice from its external actuaries to determine the amounts that it will have to pay for benefits. In 2003, the WCB hired a contract staff (internal actuary) to review benefit payments and to help determine the amounts the WCB will have to pay for benefits. Currently, the internal actuary regularly reviews short-term benefits. The WCB told us that its internal actuary would soon begin to review long-term benefits as well.

The WCB provides claim data to its internal and external actuaries. The actuaries use the data to compute the expected benefits that the WCB must pay in the future (benefits liabilities). To ensure the claims data provided to actuaries is accurate, the WCB has processes to agree the data extracted for the actuaries to its records. However, the WCB needs to work with its actuaries to understand further the information that is required to calculate the benefits liabilities. For example, we found that the WCB did not identify and provide information on all long-term claims to the actuaries. Later, the WCB provided all necessary information to the actuaries and the actuaries revised the expected benefits liabilities. In addition, the WCB has not clearly assigned to an employee responsibility for the accuracy of the data.

The WCB regularly reviews its policies for determining benefits. It has processes to evaluate and approve policy changes. However, the WCB did not always follow its established processes to calculate the costs or savings for all policy changes. To allow the Board to properly evaluate the effect of policy changes, the WCB must provide details of estimated costs or savings to the Board when requesting approval for a change in policy. We note the WCB properly calculated costs for all legislative changes and provided details to the Board.

In summary, the WCB adequately processes injured workers' claims except for the matters covered by the recommendations below.

1. **We recommend the WCB receive injury reports from employers promptly.**

2. **We recommend the WCB identify claims where recovery may be possible from other parties and effectively pursue such recoveries.**

3. **We recommend the WCB ensure its actuaries receive and use accurate data to calculate the expected benefits owing to injured workers.**

4. **We recommend the WCB follow its processes to calculate the expected costs or savings for all policy changes.**

The WCB told us that it has sought legislative changes to help it receive injury reports on a timely basis.

Maintain quality control processes

We expected the WCB would have processes to:

- *set written benchmarks for quality of service and adhering to value standards;*
- *verify that documented standards and processes for managing injured workers claims are followed (e.g., set and use templates for monitoring adjudication decisions, assess need for vocational rehabilitation, assess health care providers, refer claims to Early Intervention Program, process benefit payments);*
- *assign responsibility for control standards and quality assurance for claim processing; and*
- *assess claim processing team progress against quality of service benchmarks.*

Through its strategic and operational plans, balanced scorecard reports, and annual report, the WCB communicates its performance benchmarks. The WCB monitors performance against these benchmarks through its quality control and assurance work. Staff, management, and the Board receive reports on performance against the established benchmarks.

The WCB has also set formal customer service expectations. These expectations describe targets for administering claims and responding to inquiries. The expectations also describe the methods used for reporting performance in meeting the expectations. The WCB has begun to incorporate these expectations into its staff training.

The WCB monitors the quality of its work in a number of ways. Notably, the WCB has recently established quality control groups to monitor the quality of claim processing and take steps to improve quality. The WCB continues to develop the WCB's processes for evaluating the quality of claim administration.

The WCB monitors if employees dealing with injured workers comply with quality control processes. The WCB also reviews the quality of processing of short-term claims and has processes to review how employees process payments to injured workers. It evaluates employees' performance in handling disputed claims and responding to service and consultation requests. However, the WCB needs to fully document its review processes and the results of its reviews to benefit from these reviews.

The WCB assigns long-term claims to case management teams. The WCB does not have processes to review the work of these case management teams to the same extent as it does for short-term claims. The WCB is now expanding its review of quality processing for all type of claims.

Currently, the WCB is developing a database[2] to record the results of its quality reviews. The WCB's database will summarize results and help managers identify trends and training needs. The WCB has begun reporting internally the results of its quality reviews. The WCB told us it plans to improve its reporting once the database is fully developed.

The WCB also carries out specific quality assurance projects. For example, the WCB reviewed processing of long-term claims and its return to work program. Based on its reviews, the WCB made changes to its staff training program and its computer systems.

The WCB's payments to healthcare providers are significant. The WCB examines payments to service providers to ensure it only pays for the services it authorizes. Such a review helps the WCB to decide if it needs to revise, enhance or cancel certain services depending on its findings. The WCB routinely reviews medical payments.

In summary, the WCB's quality control processes are adequate except for the matters covered by the recommendations below.

5. **We recommend that the WCB set out guidelines for documenting its quality control work.**

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[2] A database is a collection of relevant information in a computer, organized so that it can be expanded, updated, and retrieved rapidly for various uses.

6. **We recommend that the WCB monitor the quality of administration of the long-term claims assigned to case management teams.**

Provide senior management and Board members with adequate information

We expected the WCB would have processes to:

- *determine information needs of senior management and board members;*
- *provide regular financial reports to senior management and board members (e.g. program expenditures with comparison to budget and year-end estimate, benefits liabilities with explanation of changes);*
- *provide regular operational reports (e.g. performance evaluated against expectations); and*
- *provide regular assurance reports on the quality of its claims administration.*

Although the minutes of its meetings document the Board's requests for information and changes to the reports it receives, the Board has not formally set out all its information needs. In addition, the minutes are not formally approved by the Chair or Vice Chair of the Board. To identify the approved minutes of Board meetings, agencies usually request the recorder of the minutes and the Chair to sign a copy of the minutes.

The Board and the WCB's management receive many regular and special reports. The Board receives a monthly progress report. This report contains balanced scorecard information on various aspects of the WCB's performance. The report contains financial information comparing actual and planned results and explaining significant differences. The report also includes an estimate for future costs of existing claims and changes to that estimate since the last report. The report includes statistics and graphs for claims and appeals (e.g., time to first payment, percentage of disallowed claims).

Senior management receives a regular comprehensive report on the WCB's operations. The report includes information about the WCB's activities, costs, and quality measures such as timeliness of claim processing. Management shares information with staff about number of claims processed, processing time, and number of claims disallowed.

The WCB regularly surveys employers and injured workers for customer satisfaction and makes changes when necessary. Also, the WCB examined certain processes such as administration of long-term claims and the Early Intervention Program.

Senior management receives a monthly report on the WCB's claim administration. The Board also receives that report. The report provides information on progress towards implementing recommendations of the WCB Committee of Review, and the Review of the WCB Recurring and Current Administrative Issues (Dorsey Review).

Often, management and the Board of the WCB request the internal auditor to examine certain claims processes. The internal auditor reports its findings to management and the Board. The internal auditor also tracks the progress of its past recommendations. The Board receives and approves an annual work plan for the internal auditor. However, the work plan the Board receives is not adequate. An adequate work plan would include the business and operating risks the WCB faces and show how the internal auditor's work would help mitigate those risks. The Board should also ensure the internal auditor carries out the approved plan.

In summary, the WCB provides senior management and the Board with adequate information except for the matters covered by the recommendations below.

7. **We recommend the Board formally define its reporting needs to oversee the administration of claims.**

8. **We recommend the Board receive and approve an adequate work plan for the internal auditor.**

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Highways and Transportation

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- Reflect long-term strategic direction 244
- Require leaders to take actions to develop a management strategy for succession 245
- Coordinate key human resource strategies 246

Main points

The Department of Highways and Transportation (Department) expects 60% of its total staff to retire within the next 15 years with a significant loss of senior management in the next three to five years. The Department also wants to ensure its workforce represents the make-up of the general population. These factors make a good succession plan critical to the Department.

In this chapter, we report on the adequacy of the Department's succession plan for key positions. The Department has developed a strategic framework that addresses the key elements of a good succession plan. The Department has documented action plans to enhance its leadership capacity, engage staff, diversify its workforce and ensure effective human resource management. It has made progress carrying out the action plans, but some work remains. The Department needs to develop and implement learning and development plans and to develop strategies to recruit and retain staff.

Background

The Department of Highways and Transportation (Department) operates, maintains, and regulates the provincial transportation infrastructure. It also provides analysis and advice to Cabinet on federal transportation policy. These efforts support economic growth for the Province.

The transportation infrastructure includes 26,250 km of highways, more than 800 bridges, 18 airports in northern Saskatchewan, 12 ferries, and a barge on Wollaston Lake. The infrastructure has a value of about $1.3 billion. The estimated replacement cost is about $6 billion. The Department owns, operates, and maintains its own maintenance equipment fleet.

As of October 2003, the Department had more than 1,500 staff working in 104 communities. Department crews complete most surface repair activities like crack filling, sealing, and patching. The crews provide snow and ice control, repair and replace most bridges and signs, and operate the ferries and northern airports.

In this chapter, we report on the adequacy of the Department's succession plan for key positions as of December 2003.

In our 2003 Report – Volume 3, Chapter 16, we reported on the Department and its special purpose funds for the year ended March 31, 2003. We also reported on the risks it must manage well to be successful. One of the risks identified is to obtain sufficient resources and effectively manage the use of those resources to meet Saskatchewan's long-term transportation needs.

Succession planning is part of overall human resource planning. Effective agencies integrate succession planning with other management processes and monitor the related risks. Succession planning is a systematic process to ensure that agencies have the right people with the right skills in the right place at the right time. It is a process requiring attention from legislators, managers, and staff and not left solely with human resources staff.

Planning for succession requires an agency to assess its key competency needs based on its long-term strategic direction. Key competencies needed to sustain an agency include management, operational, technical, administrative, and leadership knowledge and skills. Untimely loss of key staff may create weak links in critical systems and significantly affect the ability of an agency to achieve its objectives.

The Department needs a succession plan to ensure that it will have the human resources necessary to achieve its objectives and goals. The Department has identified succession planning as critical for three reasons:

- Government expects a sharp increase in retirements over the next 10 years. The Department expects 60% of its total staff to retire within the next 15 years, with construction services most heavily affected. Projections are that this area may lose up to 40% of its project managers (senior engineers) and engineering assistants. The Department must ensure its workforce is ready to assist in achieving the Department's objectives.

- The potential exists for significant loss of senior management within the next three to five years. The pool of qualified candidates available is limited. It is imperative that the Department develop a succession program for its senior management to ensure leadership continuity.

- One of the cornerstones of the Department's human resource plan is to ensure its workforce represents the make-up of the general population. For example, it currently has 88 staff who have self-declared an Aboriginal heritage. The Aboriginal labour supply is predicted to grow significantly over the next decade. The Department needs to develop further strategies to tap into this growing labour pool to be an employer representative of its community.

Audit objective, process, and criteria

We assessed the adequacy of the Department's succession plan for key positions as of December 2003. Key positions, as defined for this audit, include the deputy minister, associate and assistant deputy ministers, executive directors, directors, and project managers.

The succession plan is part of the Department's human resource plan (*Achieving Organization Excellence Through Our People*). We focused our audit work on the human resource plan, reviewed other significant documents, and interviewed senior staff.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by the Canadian Institute of Chartered Accountants.

To determine the adequacy of the succession plan, we used the audit criteria in the following exhibit. We developed these criteria and described them in our 2002 Fall Report – Volume 2 (pp. 45-62). The criteria reflect relevant literature and discussions with representatives of major government employers. We adapted the criteria for the Department. The Department confirmed that the criteria are appropriate.

Exhibit – Audit criteria for succession plans

To be effective the Department of Highways and Transportation's succession plan should:

1. reflect long-term strategic direction
    - integrate succession plans with long-term direction
    - involve staff to keep succession plans transparent
    - promote knowledge transfer to achieve long-term strategic direction

2. require leaders to take actions to develop a management strategy for succession
    - nurture a positive work environment
    - invest in developing skills
    - remove barriers to recruitment of skilled people
    - remove barriers to retention

3. coordinate key human resource strategies
    - maximize career opportunities
    - attract talented candidates
    - encourage sharing of human resource information across government

Conclusion

The Department has developed a strategic framework to address the key elements of a good succession plan. The Department has action plans to enhance its leadership capacity, engage staff, diversify its workforce and ensure effective human resource management. The Department has made progress in carrying out the action plans, but work remains.

Overall, we conclude the Department has an adequate succession plan except for the work remaining on learning and development plans and recruitment and retention strategies.

Key findings (by criteria)

In this section, we set out our expectations (in italics) for each of the criteria together with our key findings. In addition, we make recommendations for improvement.

Reflect long-term strategic direction

We expected the Department to have aligned its succession plan with its long-term strategic direction. We anticipated that it would identify and communicate the competencies needed for key positions. We expected the Department to have action plans to transfer knowledge to potential successors.

We found the Department has aligned the human resource plan, including the succession plan, with its long-term strategic direction.

The Department has identified enhanced leadership capacity as a cornerstone of its human resource plan to ensure continuity of knowledge and skills in key positions. The Department has a key action plan to research, develop, and implement a competency framework for senior management and other positions. This will help ensure it has the right people with the right skills in the right place at the right time. As part of this framework, the Department has documented its overall current and future competency needs.

Specifically, the Department adopted the Public Service Commission (PSC) competency profiles for key positions. These profiles are publicly available on the PSC web site. Some work remains to incorporate technical skills specific to the Department into some of the competency profiles.

The Department also has an action plan to research, develop, and implement a succession management framework for senior positions. The competency framework will become the foundation for the succession management framework.

Require leaders to take actions to develop a management strategy for succession

We expected the Department to have a positive work environment, to invest in both department and individual learning and development plans, and to have strategies to recruit and retain skilled people.

The Department provides some specific skills training throughout its divisions. However, the Department does not yet have formal learning and development plans. The Department realizes the importance of learning and development plans and it is developing strategies to address this issue.

We found that the Department has identified key action plans to:

- continue to encourage innovation and recognize achievements through the innovation registry [1];
- continue to recognize employee achievement through the employee recognition program;
- establish a learning and development needs assessment committee;
- develop and establish an overall department learning and development plan;
- ensure learning plans are in place for all managers;
- develop and implement employee performance management, education, and learning and development strategies; and
- develop recruitment and retention strategies to attract and retain high quality employees.

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[1] The innovation registry recognizes and documents efforts to apply or transfer knowledge and or adaptations to equipment or processes applied to different situations, or transform ideas into something tangible used to improve department business processes or equipment.

We found the Department encourages innovation and recognizes achievements through its innovation registry and employee recognition program. PSC recognizes these programs as best practices.

The Department also has an action plan to develop strategies to recruit and retain staff, but it has not yet implemented this plan. As noted above, the Department has identified its current and future competency needs. The Department concluded the required competencies are currently available; however, these competencies may not be available in the future (defined as four years).

1. **We recommend that the Department of Highways and Transportation develop and implement learning and development plans to ensure needed competencies are available.**

2. **We recommend that the Department of Highways and Transportation implement its plan to recruit and retain staff for key positions.**

Coordinate key human resource strategies

We expected the plan to document strategies to enable staff to maximize their career opportunities and to attract talented candidates. We also expected the Department to develop strategies for communicating relevant information across government.

We found that the Department has a well-documented human resource plan, including:

- an analysis of current and future competency needs;
- an analysis of the current workforce by age, location, gender, and work type;
- an analysis of future staffing needs; and
- a projection of expected retirements.

We found that the basic competency profiles for the key positions are available to both current and potential staff. These profiles document the basic skills and knowledge required for each key position. However, these profiles are not yet complete, since the technical skills specific to the

Department are not included. The Department expects to complete this work soon.

As noted previously, the Department has an action plan to develop strategies to recruit talented candidates, but it has not yet implemented this plan.

The Department shares some human resource information with other agencies through PSC. This includes information on workforce diversity targets and results. However, specific strategies to communicate human resource information across government are not documented.

We encourage the Department to develop strategies to share human resource information across government.

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Pensions

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Main points

In this chapter, we describe our audit of the annual reports of the Government's 14 pension plans. The objective of our audit was to assess whether the annual reports contained sufficient information. We concluded that the plans need to improve their annual reports. The annual reports did not always describe how the plans were progressing toward meeting their expectations. Nor did they consistently help plan members look forward by describing plan risks and capacity.

Some of the government pension plans need to develop and document their strategic direction and improve their governance processes. They must take these first steps before they will be able to report on their progress in achieving their goals.

We recommend the Government's pension plans improve their annual reports by describing their:

- key goals and objectives;
- future directions and risks; and
- strategies to build capacity.

We also describe the work we plan to do to assess how the Superintendent of Pensions supervises pension plans in Saskatchewan.

Glossary

Beneficiary – a person who receives or is entitled to receive benefits.

Defined benefit pension plan – a pension plan that specifies the pension that members of the plan receive on retirement or the method of determining the pension.

Defined contribution pension plan – a pension plan in which the members' contributions are fixed, usually as a percentage of pay (except for the Saskatchewan Pension Plan, whose members can contribute up to $600 each per year). A member's pension is based on the member's and the employer's contributions made on behalf of the member and investment earnings on those contributions.

Fiduciary responsibility – under common law, board members owe a duty of loyalty to those persons whose interests they are protecting. Board members cannot be in a conflict of interest with their board duties or profit from their board duties because of personal interests. Board members must deal fairly with the members of the plan.

Pension liability – the present value of pension benefits earned as determined by an actuary using the pension plan's best estimates about future events and an appropriate actuarial method as recommended by The Canadian Institute of Chartered Accountants for accounting purposes.

Pension plan board – is the oversight body identified in the pension plan's act or plan document that acts as the administrator and is the body to which plan management reports. The pension plan board may be referred to as a committee, commission, or trustees in some cases.

Unfunded liability – the amount by which the pension liability exceeds the assets of the pension plan.

Introduction

When a pension promise is made, this is the first step in the creation of a complex arrangement known as a pension plan. Appropriate management and oversight of this complex arrangement is critical to keeping the pension promise for both defined contribution and defined benefit plans. To ensure pension plans are well managed, the Government must properly manage its own pension plans and supervise the other pension plans, which are mostly private sector pension plans.

The Government's pension plans are significant to the Legislative Assembly, members of the pension plans, and the public. The Government incurs significant costs to provide pension benefits. In addition, the Government manages a significant amount of assets and pension liabilities in the plans. During 2002-2003, the Government's pension plans had assets totalling $7.2 billion. Significantly, the Government's defined benefit pension plans had a total unfunded liability of $3.8 billion.

Also, under *The Pension Benefits Act, 1992*, the Superintendent of Pensions (Superintendent) mostly supervises private sector pension plans. In 2002, the Superintendent supervised pension plans with a market value of assets of $13.6 billion.[1]

In this chapter, we describe our audit of the annual reports of the Government's 14 pension plans. We also describe the work we plan to do to assess how the Superintendent of Pensions supervises pension plans in Saskatchewan.

Pension plan annual report assessment

Background

Providing relevant and timely information to the pension plan members, the Legislative Assembly, and the public is one element of good governance. Pension plans use their annual reports to provide much of this information.

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[1] Source: Financial Services Commission. *A Statistical Perspective on Pension Plans Registered in Saskatchewan*, p.5.

In 1997, we examined the consistency and adequacy of the information contained in the annual reports of the Government's 14 pension plans (see Exhibit 2, page 263). We concluded the pension plans needed to improve their annual reports. In 2003, we again examined those pension plans' annual reports. We wanted to see how the pension plans had improved their annual reports. In this chapter, we report our assessment.

Audit objective

The objective of our audit was to assess whether the annual reports of the Government's 14 pension plans contained sufficient information. We examined those annual reports for pension plans with year-ends falling in the period December 31, 2002 to June 30, 2003.

Our audit was limited to examining whether the annual reports contained sufficient information. We did not assess the accuracy or reliability of the performance information provided. Nor did we examine the underlying information systems or the data used to prepare the performance information.

Criteria

Auditors use criteria to evaluate the matters that they examine. Criteria are reasonable and attainable standards of performance and control. We used the CCAF's[2] *Reporting Principles-Taking Public Performance Reporting to a New Level* (CCAF Reporting Principles) (Exhibit 1) to carry out this assessment. The Department of Finance supports the CCAF's Reporting Principles for public reporting of government agencies.

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

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[2] The CCAF-FCVI is a non-profit research and education foundation that supports capacity development for the public sector in the areas of governance, accountability, management, and audit.

Exhibit 1 – Audit criteria

1. **Focus on the few critical aspects of performance**
2. **Look forward as well as back**
3. **Explain key risk considerations**
4. **Explain key capacity considerations**
5. **Explain other factors critical to performance**
6. **Integrate financial and non-financial information**
7. **Provide comparative information**
8. **Present credible information, fairly interpreted**
9. **Disclose the basis for reporting**

Source: CCAF's Reporting Principles.

Conclusion and recommendation

We concluded that the Government's pension plans need to continue to improve their annual reports.

We recognize that preparing annual reports that meet the CCAF's Reporting Principles will take time and resources. Some government pension plans need to develop and document their strategic direction and improve their governance processes. They must take these first steps before they can report their progress in achieving their goals and meeting their governance standards.

The majority of pension plan annual reports included their investment goals and targets and indicated how well they achieved those targets. However, the annual reports did not always show a clear link between a mission statement and plan strategic goals, objectives, performance measures, and targets. None of the annuals reports we examined described how well the plans were progressing towards achieving their goals and objectives.

All annual reports identified the pension plans' investment risks and investment performance factors, but most did not describe other strategic risks or significant factors affecting performance (e.g., impact of demographic changes). Also, the annual reports did not provide any information on plan risk beyond investment risk.

Most of the annual reports provided information about who was responsible for the administration and governance of plans. They provided some information about processes to safeguard plan assets. However, the annual reports did not identify the plans' key capacity considerations (i.e., information systems, knowledge, and communication gaps) or strategies to build the necessary capacity to meet their goals.

1. **We recommend that the Government's pension plans improve their annual reports by describing their:**
    - **progress towards key goals and objectives;**
    - **future direction and risks; and**
    - **strategies to build capacity.**

Our detailed findings

We describe below our detailed findings for each criterion. For each criterion, we set what we expected (in italics) and what we found.

Focus on the few critical aspects of performance

We expect pension plan annual reports to:

- *focus selectively and meaningfully on a limited number of performance goals; and*
- *centre on core objectives and commitments.*

To be useful, a pension plan's annual report should include adequate information for the stakeholders to understand the plan's purposes and core objectives. When stakeholders receive this information, they are better able to assess plan performance.

Pension plan annual reports should tell their stakeholders (i.e., plan members, Legislative Assembly, and the public) about their mission, vision, and strategic goals.

We found that the pension plan annual reports provided a description of the plan either in their financial statements or elsewhere in their annual report. Only three plans provided mission statements. Only one of those three plans provided a vision statement.

Most pension plans outlined their investment goals and targets and reported actual performance. However, the plans should provide targets and actual performance for all their goals. This should include investment performance, and performance related to other areas, such as governance, member education, and service to members.

All plans need to improve their annual reports by clearly outlining their mission and vision, and by describing their broad strategic goals, objectives, performance measures, and targets. They should also report their progress towards meeting their goals and objectives. Such information allows stakeholders to better assess plan performance.

Look forward as well as back

We expect pension plan annual reports to:

- *provide information on the prior year's performance;*
- *set out the goals and how activities contribute to the goals; and*
- *track achievements against expectations.*

All pension plans included audited financial statements in their annual reports. However, the annual reports included little or no information on what goals the pension plans intended to achieve during the year and their progress towards those goals.

About half of the defined benefit plans also included cash flow projections. Such information helps plan stakeholders assess cash requirements to meet pension benefits. Also, all pension plans included yearly investment benchmarks and three or four year benchmarks compared to actual results.

One plan had outlined broad goals in its annual report but then did not have specific targets for these goals. Providing goals with specific targets helps stakeholders better assess plan performance.

Government pension plans need to improve their annual reports by including all of their strategic goals and targets and describing their progress towards meeting those goals and targets. Plans need to expand their communication of specific short-term targets beyond investment targets. They should explain how these short-term targets contribute to achievement of long-term goals.

Few plans addressed the importance of, or responsibility for, governance in their annual reports. Those that did, did not state if they had met goals related to governance, nor did they describe what they planned to do to meet those goals.

None of the annual reports described what they intended to achieve in the long term. Long-term plans help stakeholders assess what the plans intend to do to meet their pension promises.

Explain key risk considerations

We expect all pension plan annual reports to:

- *discuss key strategic risks; and*
- *communicate their key strategies to manage these risks and if these strategies were effective.*

All annual reports described investment risks. The reports provided some information on how the plans mitigated those risks. Pension plans also included information related to actual investment returns compared to planned returns.

Pension plans, however, need to describe all their risks (e.g., governance, member education, service levels) and their strategies to mitigate those risks. When stakeholders do not know all the risks that the plans face and the strategies to mitigate those risks, they cannot assess whether the risks are properly managed.

Explain key capacity considerations

We expect pension plan annual reports to:

- *disclose key considerations affecting capacity to sustain or improve results to meet expectations; and*
- *describe strategies to align expectations and capacity.*

Twelve of the pension plan annual reports discussed the responsibilities of the board and management to govern and administer the plan. The plans described how they safeguard assets to meet pension promises. In addition, all defined benefit plans identified who was responsible for covering shortfalls if the plans were in deficit.

In addition, some plans discussed how they used specialists to gain needed expertise to help meet pension promises. One plan noted that it had completed an upgrade of its computer system, although it had not identified why that was necessary, nor the benefits to be achieved from the upgrade.

All plans need to better disclose key factors affecting their capacity. They should describe how those key factors relate to their ability to meet pension promises. For example, plans may need to improve information systems, staff competencies, education, communication, or service levels to meet their long-term goals or members' expectations. Plans need to explain their strategies to build capacity to address these areas.

Explain other factors critical to performance

We expect pension plan annual reports to:

- *explain their operating environment and reporting structure;*
- *identify core values and explain how they are applied in operations; and*
- *discuss and explain the impact of significant factors on performance.*

One pension plan included only financial statements and a management responsibility report in its annual report. Another plan included only financial statements. The notes that accompanied the financial statements provided a brief description of the plans. Annual reports of other pension plans provided better operational information, such as organizational charts, lists of fund managers and plan administrators, and general descriptions of the responsibilities of the board and management.

Only one plan identified its core values, but did not discuss how it applied these values in practice. All pension plans should identify and describe their core values in their annual reports. To ensure these core values are followed, pension plans should set out a code of conduct for board members, plan management and employees, and consultants.

Five plans described poor financial market conditions and explained how this affected investment returns. In addition, the plans explained how they managed this risk by diversifying their investment portfolios.

All plans should describe in their annual reports additional factors that they consider important to their performance, such as significant political, social, or demographic factors. The plans should describe how they intend to manage or respond to these factors.

Integrate financial and non-financial information

We expect pension plan annual reports to:

- *explain the link between activities and desired results; and*
- *show spending on key strategies and explain how changes in spending affect results.*

Two of the 14 annual reports we examined provided only financial statements. These reports did not integrate financial and non-financial information to show how resources and strategies contribute to results. All annual reports described how their investment strategy influenced results.

The pension plans need to link financial and non-financial information. For example, an important aspect of pension plan performance is member satisfaction. Pension plans could provide information showing how money spent to improve member satisfaction is achieving results.

Provide comparative information

We expect pension plan annual reports to:

- *provide comparative information about past performance to show whether performance is stable, improving, or deteriorating; and*
- *provide comparative information to the industry where reliable comparative information is available.*

All annual reports included plan financial statements with comparative information for the prior year. Providing comparisons of current year financial performance with the prior year helps stakeholders to assess if performance is stable, improving, or deteriorating. However, comparing financial results for only two years is usually not adequate to fully assess performance.

All annual reports compared actual investment returns to benchmark returns. One annual report included investment return information compared to other pension plans. Some annual reports provided actual returns for all investments by asset classes compared to market indices. Such information allows stakeholders to assess if the plan's investment strategy is adequate to meet the plan's overall investment goals.

Present credible information, fairly interpreted

We expect pension plan annual reports to:

- *provide performance information on a timely basis; and*
- *present performance information in language and format that avoids excessive detail and overly technical descriptions.*

All pension plans tabled their annual reports on a timely basis.

All but two of the annual reports provided information in an appropriate way. Generally, for the information provided, the annual reports used appropriate format, avoided excessive detail, and did not use overly technical language. The other two annual reports included only financial statements. Financial statements alone are not enough to assess the plans' overall performance.

Pension plan members have significant life savings invested in the pension plans and need information to know how their money is being managed. Some plans provided better access to their annual reports than others. Four pension plans mailed out copies of their annual reports to their members. The majority of the other plans had their annual reports on their web sites but most did not specifically inform members that they could access the annual reports on the web site.

Disclose the basis for reporting

We expect pension plan annual reports to:

- *explain the basis for selecting the few critical aspects of performance;*
- *describe changes in the way performance is measured or presented; and*
- *set out who is responsible for the report and the reliability of information being reported.*

Most pension plans explained in their annual reports the performance measures they used for their investment goals. The annual reports described the pension plans' goals for investments returns and provided actual results to show how well they met those goals. However, annual reports should describe all their goals, their performance measures, and provide information to show progress towards those goals.

None of the plans we assessed described any changes in their performance measures. However, when plans develop performance measures for all their goals they will need to reassess on a regular basis if the measures are still adequate. The annual reports should outline any changes in the performance measures.

Almost all of the annual reports described management's responsibility, stating that the Board was responsible for the governance and administration of the plan. One annual report did not identify who was responsible for the administration of the plan.

Most annual reports described how independent specialists helped manage investments and assist with segregation of duties. To improve public and member confidence, all pension plans should provide in their annual reports assurance about the adequacy of their controls including plan governance processes.

Exhibit 2 – Government pension plans

This chapter reports on 14 of the Government's pension plans. There are nine defined benefit plans and five defined contribution plans.

In **defined benefit plans**, the Government promises to pay each member a pension based on the member's salary and years of service. For the Municipal Employees' Pension Plan, the municipal employers and school boards promise to pay the pensions. In 1978 (1980 for the Teachers' Superannuation Plan), the Government reduced its risk that its pension costs would be greater than expected, by closing its defined benefit pension plans to new members, except for the Judges of the Provincial Court Superannuation Plan and the Municipal Employees' Pension Plan. Since 1978 (1980 for the Teachers' Superannuation Plan), new Government employees become members of defined contribution plans.

The nine defined benefit plans included in this chapter are:

- Judges of the Provincial Court Superannuation Plan-March 31, 2003;
- Liquor Board Superannuation Plan-December 31, 2002;
- Municipal Employees' Pension Plan-December 31, 2002;
- Public Service Superannuation Plan-March 31, 2003;
- Power Corporation Superannuation Plan-December 31, 2002;
- Saskatchewan Government Insurance Superannuation Plan-December 31, 2002;
- Saskatchewan Telecommunications Pension Plan-December 31, 2002;
- Teachers' Superannuation Plan-June 30, 2003; and
- Workers' Compensation Board Superannuation Plan-December 31, 2002.

In **defined contribution plans**, the Government and the plan member each pay a fixed percentage of the member's salary into a fund (the Government no longer contributes for the Saskatchewan Pension Plan and members do not contribute for Saskatchewan Research Council Employees' Pension Plan). The member's pension is based on the accumulated contributions (i.e., total contributions made by the member and the Government over the member's career) and the investment earnings on these contributions.

The five defined contribution plans included in this chapter are:

- Capital Pension Plan Inc.-December 31, 2002 (this plan includes employees of the Saskatchewan Gaming Corporation, Saskatchewan Government Insurance, Saskatchewan Transportation Company, Saskatchewan Water Corporation, and certain other agencies);
- Public Employees Pension Plan-March 31, 2003 (this plan includes employees hired by the Public Service Commission, Saskatchewan Telecommunications, and Saskatchewan Power Corporation);
- Saskatchewan Pension Plan-December 31, 2002;
- Saskatchewan Research Council Employees' Pension Plan-December 31, 2002; and
- Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission-December 31, 2002.

Superintendent of Pensions

Background

In our 2003 Report – Volume 1, we said that we planned to study and report best practices followed by pension plan regulators in Canada so that we can assess the adequacy of processes for regulating pension plans in Saskatchewan. We have now completed the first phase of our work. We have developed criteria to assess the adequacy of the processes used by the Superintendent to supervise pension plans in Saskatchewan. In this chapter, we describe the general audit criteria that we will use to study the systems and practices that the Superintendent uses to supervise pension plans.

To maintain the confidence of the public and plan members, pension plans must meet pension promises. Because of recent failures, funding issues, and legal actions, pension plan supervision and governance have become highly visible and sensitive issues. Plan members are more likely to make demands on public resources if pension plans fail to meet pension promises. The Government's regulatory and supervisory framework helps ensure pension plans meet their pension promises.

Under *The Pensions Benefits Act*, 1992, (Act) the Minister of Justice appointed a Superintendent of Pensions (Superintendent) to administer and enforce the Act. The Superintendent is responsible to reduce the risk of financial loss or inequities to pension plan members. Without an adequate system to supervise pension plans, situations that require intervention by the Superintendent may go unnoticed.

The intent of the Act is to protect the pension benefits that members have earned. The Act does not guarantee that pension payments will be made, because no government guarantee or insurance scheme is in place to cover a loss in a terminated pension plan. Furthermore, the Act does not influence the nature or generosity of pension plan benefits. The Act promotes fair and equitable treatment of all plan members, but does not guarantee that pensions will meet the retirement income needs of members.

The Act generally applies to pension plans in Saskatchewan, other than pension plans established by statute for Government of Saskatchewan employees. The Act also applies to some of the Government's plans, such as the Saskatchewan Research Council Employees' Pension Plan, Capital Pension Plan, and Saskatchewan Telecommunications Pension Plan. The Superintendent of Pensions supervises over 360 plans in Saskatchewan.

The Act does not apply to registered retirement savings plans, employee profit sharing plans, and deferred profit sharing plans. In addition, the Act does not apply to arrangements for retiring allowances, supplemental plans, or plans that provide benefits insured under a contract issued pursuant to the *Government Annuities Act* (Canada)[3]. Federally regulated pension plans and pension plans for Federal Government employees are also not subject to the Act.

Audit objective

The objective of our audit is to determine whether the Superintendent of Pensions has adequate systems and practices to supervise pension plans.

Our audit does not include the Superintendent's reciprocal arrangements with other pension regulators in Canada.

Criteria

Auditors use criteria to evaluate the matters that they examine. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices.

We developed criteria based upon our review of relevant literature and reports of other auditors. We provided our general criteria to the Superintendent of Pensions for comments and suggestions. The Superintendent agreed with our general audit criteria.

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[3] *The Pension Benefits Regulations*, 1993, Saskatchewan, p 5.

To adequately supervise pensions, the Superintendent of Pensions should have the following processes.

Register, amend, and deregister pension plans

We expect the Superintendent would have established processes for registering, amending, and deregistering pension plans on a timely basis. We expect the Superintendent's processes would establish minimum standards, set out administrative steps, and require necessary documentation. The Superintendent would have processes to examine proposed pension plan registrations and any proposed changes to pension plans to ensure that proposals meet the established minimum standards.

Identify and evaluate risks of pension plans

We expect the Superintendent would have processes to identify and evaluate the risks that Saskatchewan pension plans face. The Superintendent would have processes to gather information about risks through examination of plan documents, strategic plans, governance practices, annual reports, valuation reports, investment management and compliance reports, and board minutes. The Superintendent would also have processes to analyze information received and document the key risks faced by pension plans and their members.

Align work processes with risk assessment

We expect the Superintendent would have processes to use the identified risks to develop a work plan. We expect the work plan would identify those plans that have the highest levels of risk. Also, the work plan would describe actions the Superintendent will take (e.g., review, analysis, and testing) to respond to mitigate those risks.

Evaluate pension plan information

We expect the Superintendent would have processes to evaluate pension plan information in relation to the identified risks. We expect the Superintendent would have processes to examine pension plans with greater levels of risk. In addition, the Superintendent would have processes to ensure it covers other pension plans on a random basis. We also expect the Superintendent would have processes to ensure that pension plans comply with *The Pensions Benefits Act, 1992.*

Provide sound direction

We expect the Superintendent would have processes to consider the results of evaluations in making supervisory decisions. The Superintendent would have processes to properly document and communicate all actions and guidance necessary to improve plan administration, meet expectations set out in plan documents, and comply with *The Pensions Benefits Act, 1992.*

Follow up and enforce compliance

We expect the Superintendent would have processes to follow up and enforce compliance with supervisory decisions. The Superintendent would have processes to ensure pension plans carry out the Superintendent's directions. Also, we expect the Superintendent would have processes to change the work plans and practices when required due to changes to legislation or industry standards.

Our future work plans

We plan to complete our work on assessing the Superintendent's processes to supervise pension plans. We plan to report the result of our work in our 2004 Report – Volume 3.

Next year, we plan to examine the Government's plan to address its future cash requirements for pensions promised. We will also assess and report on pension plan progress in implementing our past recommendations to improve their governance processes.

In the future, we plan to reassess pension plan annual reports and their progress in addressing the recommendation in this chapter.

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Chief Electoral Officer

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Main points

In this chapter, we report two matters. First, in common with many other public agencies, the Office of the Chief Electoral Officer could improve the content of its annual report to provide better information on its performance. Also, The Elections Act, 1996 requires the Electoral Office to table a report on its progress each year. In February 2004, the legislators and public finally received the Electoral Office's first annual report. This report includes information about the Electoral Office and its activities from May 1998 to December 31, 2002.

Informing legislators and public about performance helps to maintain and build public confidence. The Electoral Office's primary role is to maintain the integrity of the provincial electoral process. The integrity of the process is central to the public's confidence in elections. It is essential that legislators and the public receive timely, understandable information from the Electoral Office on its performance.

Second, the Electoral Office has not taken sufficient steps to require political parties to provide details of certain contributions from trust funds and constituency associations as the Act requires. The public and legislators want to know who gives money to parties and candidates. In 1997, the Assembly improved the Election Act to clarify the disclosure and reporting of details where parties and candidates receive money from constituency associations, corporations, and trust funds. It requires parties and candidates to report and disclose the persons who give money to these organizations.

Two registered political parties included investment income as contributions on their returns. For one party, this income was earned on money in a trust fund, while the second on money held by constituency associations. The Electoral Office did not obtain the names of the original donors or the amounts donated in these cases. Disclosure of contributions is key to a transparent electoral process.

Introduction

The Chief Electoral Officer administers *The Elections Act, 1996*. Since 1998, the Chief Electoral Officer is an officer of the Legislative Assembly.

The primary role of the Office of the Chief Electoral Officer (Electoral Office) is to ensure public confidence in the integrity of the electoral process in Saskatchewan. It is responsible for the administration of provincial elections, by-elections, enumerations other than during elections, and election finances.

In addition, the Electoral Office periodically conducts referenda and plebiscites under *The Referendum and Plebiscite Act* and time votes under *The Time Act*. Also, the Electoral Office administers and maintains the political tax credit system under *The Political Contributions Tax Credit Act*.

Background

The Elections Act, 1996 came into effect January 1, 1997. This Act is an integral part of electoral reform in Saskatchewan. The Act responds to the public's need for information about the electoral process by requiring public disclosure of key information. It requires political parties and candidates to disclose information publicly, both during and outside of the election periods. This information includes spending as well as the amount and source of contributions and spending.

For the year ending March 31, 2003, the Electoral Office administered three by-elections. It reviewed six annual returns[1] from the six registered political parties, three election returns from political parties,[2] and three election returns from candidates who ran in the October 2002 by-election.

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[1] Under Section 250(4) of *The Election Act, 1996*, registered political parties must file annual returns within four months of the end of the fiscal year to which the return relates (i.e., file on April 30th, 2002 for December 31st, 2001 year-end).

[2] Under Section 251(1) of *The Election Act, 1996*, the political parties must file the election expense returns within six months after the date of the polling day. For example, the Battleford-Cutknife by-election polling date was March 17, 2003. The parties had to file their related election expense returns by September 18, 2003.

Overview of Electoral Office's finances

The Annual Report of the Chief Electoral Officer of Saskatchewan Compendium 1998-2002 provides information on the Office's expenditures for the fiscal years 1998-1999 to 2001-2002.

The Public Accounts 2002-03: Volume 2: Details of Revenue and Expenditure reports that the Electoral Office spent $1.2 million in 2002-03 ($0.8 million in 2001-02). To view a copy of this report, see http://www.gov.sk.ca/finance/paccts.

Audit conclusions and findings

In our opinion, for the year ending March 31, 2003, the Electoral Office:

- **had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter; and**
- **complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

The following sets out our detailed audit findings.

Improved public accountability required

The Electoral Office needs to provide legislators with timely and complete annual reports.

The Election Act, 1996 requires the Electoral Office to report its progress and activities each year in accordance with *The Tabling of Documents Act, 1991*. The Electoral Office must submit its report to the Speaker each year within 120 days after its period end. The law does not set the reporting period of the Electoral Office.

In June 2002, and again in June 2003, the Standing Committee on Public Accounts (PAC) recommended that the Electoral Office prepare and submit to the Speaker its annual report as required by *The Election Act*.

1996. At its October 2002 meeting and in its subsequent report, PAC strongly recommended that the Electoral Office's annual report be tabled in the Assembly by March 2003. PAC included this recommendation in its June 2003 report to the Assembly.

The Electoral Office did not provide legislators with a report when expected by PAC or by law. On February 18, 2004, the Speaker tabled the Electoral Office's first annual report for the period from May 12, 1998 to December 31, 2002 (2002 Report). At the date of this report, the Electoral Office has not provided legislators with its 2003 Report.

The CCAF provides public agencies with guidance to help them improve the quality of their public reporting. This guidance is contained in a publication called *Reporting Principles – Taking Public Performance Reporting to a New Level* (Principles). The Principles recognize that legislators and the public need adequate information about agency plans and the achievement of those plans.

The Principles recognize annual reports should provide information on the following key areas: the agency's mission, vision, goals, and objectives and on how the agency has performed in achieving its objectives from both financial and operational perspectives. In addition, reports should set out the key risks that the agency faces in achieving its objectives.

When agencies use these Principles to prepare their reports, they provide legislators with more useful information on their progress. To help the Electoral Office improve future reports, we assessed the 2002 Report against the Principles. In addition, we looked at annual reports of other electoral offices.

Reports of many electoral offices currently focus on activities. The Chief Electoral Office of Canada is an exception. It provides information similar to that suggested by the Principles. Each year, it provides legislators with a report against its previously published plan. It uses the results of surveys to help measure and evaluate its performance.

The Electoral Office's 2002 Report describes its mandate of directing and supervising the adminstrative and financial conduct of provincial electoral events, its mission of maintaining a state of provincial election readiness, and its goal to facilitate provincial electors, registered political parties, and candidates in the exercise of their democratic rights. It highlights its key risks and key future directions. It provides detailed explanations of its activities.

The 2002 Report did not set out how the Electoral Office determines and measures its success (e.g., performance measures). In addition, while the 2002 Report clearly explains its activities and their cost, it does not indicate the extent to which these activities helped the Electoral Office to achieve its goals. In addition, the 2002 Report does not provide the overall financial results of the Electoral Office (e.g., financial statements).

1. **We recommend that the Chief Electoral Office include the following in its future annual reports:**
   - **performance measures;**
   - **the extent to which activities achieved goals; and**
   - **overall financial results.**

Disclosure of contribution sources needed

The Electoral Office did not require registered political parties to disclose, in their annual returns, the source of certain contributions as expected by *The Elections Act, 1996*.

In 1996, Members of the Assembly raised concerns about the lack of disclosure of political contributions that registered political parties received from special funds, constituency associations, and federal political parties. The concern related to the need to know who gave the money to these organizations who later gave money to political parties and candidates. At that time, the returns of the registered political parties did not disclose the details of the original sources of contributions made to them in excess of $100.

The then Chief Electoral Officer investigated these concerns. In June 1996, the Assembly passed a new law, *The Election Act, 1996* (new Act). The new Act came into effect January 1, 1997. This law sets out, in more detail, (i.e., in section 240) the information that constituency associations, corporations, and trust funds must provide when they contribute to a registered political party or candidate.

In June 1997, the then Chief Electoral Officer issued his report to the Assembly entitled *On the Practices of the Registered Political Parties Respecting the Reporting of Political Contributions.* In this report, he notes trust funds, constituency associations, and corporations contributed money to the then registered political parties without disclosing the name of the original donor or the amount contributed. He further noted a decision was made not to prosecute given the following circumstances. The possible violations were regulatory in nature; the related requirements of the previous Elections Act (old Act) were unclear; and the Electoral Office and Assembly had accepted the disclosure and filing practices of the parties for 18 years.

When a party or candidate does not disclose the names and amounts of contributions exceeding prescribed limits ($100 – old Act; $250 – new Act), the law (i.e., section 221 (in old Act) and section 241 (in new Act)) expects the amounts to be forfeited to the Minister of Finance for deposit in the General Revenue Fund. The Electoral Office did not pursue, collect, or deposit any money under the old Act because of its 1997 report. Rather, on the advice of the Electoral Office and PAC, the Board of Revenue Commissioners cancelled the collection of this money for 1996 and the six prior calendar years.

In addition, in his 1997 report, the then Chief Electoral Officer stated that the new Act was clear. He stated that it requires the reporting and disclosure of the names of the original donors to constituency associations, corporations, and trust funds whose money is used to make up the money contributed to the party or candidates. He noted that it requires this reporting and disclosure if the amounts each original donor contributes in a year exceed $250.

Concerns with the reporting practices of registered political parties continue. In our audit, two registered political parties reported in their 2001 annual returns contributions in the form of investment and interest income in amounts exceeding $250 in a year. These contributions totalled $73,384 (i.e., $3,334 for one party, $70,000 for the other).

Each registered political party accepted this money. In one case, the money was received from four constituency associations, and in the second case, the money was received from a trust fund. The returns of both parties do not disclose the names of the original donors who gave contributions in a year exceeding $250 and whose money was used to make up the money (funds) the parties accepted as contributions.

We recognize that persons could have donated the money making up the funds prior to the January 1, 1997—the date the new Act came into force. We expected the Electoral Office to take steps to determine if the investment income was based on amounts contributed prior to this date or later. If contributed later, we expected the Electoral Office to require the parties and candidates to provide the details expected by law on the additional contributions. The Electoral Office did not require the parties to provide this information. The new Act gives the Electoral Office authority to require this information (section 240(12)). In addition, the Electoral Office does not know if there are contributions to forfeit for deposit into the General Revenue Fund as anonymous donations.

In our opinion, the Act requires political parties and candidates to report the original source of all contributions exceeding $250. If disclosure is not made, then the money must be forfeited for deposit to the General Revenue Fund. Disclosure of contributions is key to a transparent electoral process.

2. **When returns from parties or candidates include contributions from investment or interest income from constituency associations, corporations, or trust funds, we recommend that the Chief Electoral Office obtain, if any, the names of each original donor who gave more than $250 in any year after December 31, 1996 and the amount each gave.**

Standing Committee on Public Accounts

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Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations included in the public accounts. During its review, the Committee can inquire about current concerns, future objectives, and past performance. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public assets. The Government has fully implemented 83% of the Committee's recommendations. Of the recommendations that are not yet fully implemented 57% are partially implemented.

In the exhibit to this chapter, we set out the status of the Committee's outstanding recommendations and indicate whether the Government has partially implemented them or has not implemented them. Where possible, we also indicate the progress made since our 2003 Report – Volume 1.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). We briefly describe what the Committee does, how it is structured, and how it works.

We discuss the importance of the Committee's deliberations and recommendations and highlight some of its recent accomplishments. Also, in the exhibit to the chapter, we set out the status of the Committee's outstanding recommendations. Reviewing these outstanding recommendations provides the Committee members with an opportunity to ask Government officials how they are progressing toward meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members of the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of nearly 300 agencies, including departments, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval of the use of these resources through laws and the Legislative Assembly's approval of the Estimates.

Each year, the Government prepares and the Minister of Finance tables the Public Accounts. The Public Accounts consist of three reports. The first report contains the Summary Financial Statements of the Government and the financial statements of the General Revenue Fund (GRF). The second report contains details on revenues and expenditures (including a listing of non-unionized salaries and wages) of the GRF, key financial information of superannuation and trust funds administered by the Government, and a listing of taxes and fees. The third report contains a listing of all employees including unionized employees who received salaries and wages paid from the General Revenue Fund. The first two reports are available on the Internet at http://www.gov.sk.ca/finance/.

The Assembly refers to the Committee the Public Accounts and the reports of our Office. The Committee uses these reports to review the Government's management of public resources.

The Committee's main objective is to discuss and recommend actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of all government agencies (e.g., departments, Crown corporations) included in the public accounts. It also reviews the issues raised in our reports on the results of our work at these agencies.

The Committee has access to all government agencies and their officials. The officials attend the Committee meetings and answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and in better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and it contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, and reports) are available to the public on the Committee's web page (which is part of the Assembly's Internet web site – http://www.legassembly.sk.ca/committees/.

The members of the Standing Committee on Public Accounts

The members of the Committee in place at the end of the Fourth Session of the 24th Legislature were:

- Ken Krawetz, Chair
- Ron Harper, Vice-Chair
- Pat Atkinson
- Brenda Bakken
- Rod Gantefoer
- Keith Goulet
- Judy Junor
- Warren McCall
- Lyle Stewart
- Milton Wakefield

For members in place at the time of this report, consult the web site of the Legislative Assembly.

Key Committee accomplishments

In this section, we describe certain accomplishments of the Committee since the spring of 2003. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports include our 1999 Spring Report, 2000 Fall Report (Volume 2), 2001 Fall Report (Volume 2), and 2002 Fall Report (Volumes 1 and 2). During 2003-2004, the Committee met three times to discuss our reports. The Committee also prepared a Report to the Assembly setting out its recommendations resulting from its work in 2002 and 2003.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Fourth Report of the 24th Legislature. The Committee presented this Report on June 25, 2003. That Report contains over 60 recommendations. The Assembly concurred in the Report. The Government responded to the Report on October 7, 2003.

At the time of this report, the Committee has not yet completed its review of the following reports of the work of our Office:

- 2001 Fall Report – Volume 2 (one chapter outstanding);
- 2002 Fall Report – Volume 2 (eight chapters outstanding);
- 2003 Report – Volumes 1, 2 and 3

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 369 recommendations. Some of these recommendations may take a number of years to implement. As of March 2004, the Government has fully implemented 83% (March 2003 –80%) of the Committee's recommendations. The Government has partially implemented 57% (March 2003 – 61%) of the recommendations that are not fully implemented.

The Committee has asked us to monitor compliance with its recommendations and to report on their status. In the exhibit, we provide an update on the status of the Committee's recommendations. The exhibit lists all of the Committee's recommendations that the Government has not yet fully implemented.

Key terms used in the exhibit

Each recommendation in the exhibit includes a reference to a "PAC Report Year." This reference is to the year that the Committee first made the recommendation. In the "Outstanding Recommendation" column of the exhibit, we set out those recommendations that the Government has not yet fully implemented. Starting with the 23rd Legislature, the Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. In the exhibit, these recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with reçommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying

with the recommendations. In the exhibit, these recommendations are identified by a non-bolded number (e.g., 10.46) preceding them. The non-bolded numbers reflect the chapter and paragraph number of our related report.

For each outstanding recommendation, we assess the status of the recommendation. We indicate the date of our assessment in parentheses. Generally, the date of our last assessment is based on the timing of our most recent audit work. We list the status of each recommendation as either not implemented or partially implemented.

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Where possible, in the status column, we indicate progress made since our 2003 Report – Volume 1.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

- clearly define the issue;
- set out the sources of supporting information gathered by surveys, interviews, or literature searches;
- outline the major factors involved—the pros and cons; and
- describe the action it proposes to take.

Summary

In the last few years, the Committee has discussed broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. We congratulate the Committee for fostering a more open and accountable government and better management of government operations.

We intend to continue helping the Committee carry out its important responsibilities. We will encourage the implementation of the Committee's recommendations. In future reports, we will continue to monitor the status of its recommendations.

Exhibit – Status of outstanding Committee recommendations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government		
1993	**CR12a,b.** The Government should establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations and the policies should be made public.	**Not implemented** (as at March 31, 2004). The Government does not have consistent policies for entertainment, employee recognition, advertising, and donations for all organizations.
1993	**CR12c.** *The Legislative Secretary Expense Regulations* should be changed to specify conditions for assigning vehicles.	**Not implemented** (as at March 31, 2004). The Regulations do not specify conditions for assigning vehicles.
1993	**CR12.** With regard to strengthening the ability of legislators to hold Crown corporations accountable: ◆ Decisions to create Crown corporations should be properly reported to and debated by the Assembly;	**Partially implemented** (as at March 31, 2004). Legislation now exists for all corporations governed by *The Crown Corporations Act, 1993*. The Act requires bodies incorporated by Crown corporations or designated subsidiary Crown corporations to table a report outlining the name and reasons for incorporation. Departments and Crown corporations not governed by *The Crown Corporations Act, 1993* have no such requirement.
	◆ Crown corporations should have the same public reporting requirements as do government departments unless otherwise stated in the mandate of the corporation.	The Government expects Treasury Board Crowns to follow reporting requirements similar to government departments. In June 2003, the Standing Committee on Crown Corporations approved public reporting requirements for CIC Crown corporations and related entities.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**CR12.** Your Committee recommends that the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned and show the forecast to the end of the year.	**Not implemented** (as at March 31, 2004). The Government's mid-year and Quarterly financial reports do not reflect the financial results of the Government as a whole or show the financial results to the interim date compared to what was planned. Rather they focus on the financial activity of the General Revenue Fund. There has been no progress in the past year.
1994	**CR15.** Your Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by the Government to a new project or program without the specific prior approval of the Legislative Assembly.	**Not implemented** (as at March 31, 2004). The Government has not presented a study to the Committee for consideration. In its August 1994 response to the PAC's Sixth Report, the Government said it thinks *The Crown Corporations Act, 1993* (the Act), addressed this issue for Part II Crown corporations. It said, "Beyond the provisions made through the Act, the Government is not currently in a position to proceed with implementation of this recommendation. However, the Government believes the issue is worthy of study." In its 1995 review of the Government's response, PAC encouraged the Government "to do a study." There has been no progress in the past year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**CR30.** Your Committee recommends that policies established to deal with Committee recommendations should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive manual with similar authority.	**Not implemented** (as at March 31, 2004). In its August 1994 response to the PAC's Sixth Report, the Government stated the Treasury Board Accounting and Reporting Manual includes "policy-related recommendations as they apply to departments and certain Crown corporations, agencies and boards. This covers a majority of recommendations. Currently, a manual is not maintained to document any other types of recommendations." There has been no progress on the recommendation in the past year.
1997	**CR31.** Executive Council provides clarification as to the legislative powers of Crown corporation subsidiary companies, with respect to the selling of real property with a sale price exceeding $150,000.	**Not implemented** (as at March 31, 2004). There has been no progress in the past year for non-CIC Crown corporations.
Cross-Government (Government's Summary Financial Statements)		
1995	**CR1.** The Government review whether forecasts of the cash required to meet existing pension liabilities should be provided to the Assembly and included in the Summary Financial Statements.	**Partially implemented** (as at March 31, 2003). The Department of Finance provided a report to PAC on March 13, 2001 showing how the Government plans to address its future cash requirements for pensions promised. The Government has provided future cash flow information in its unfunded defined benefit pension plans' financial statements or annual reports. However, it has not provided this information in the Summary Financial Statements. There has been no progress in the past year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (The Financial Management Review Commission)		
1996	**CR5a.** The Government provide the Legislative Assembly with a final, concluding report on the implementation of the Gass Commission [Financial Management Review Commission]. **b.** The report should detail which recommendations have been implemented, which have not been implemented and should be, and what plans are in place to do so; and which recommendations should not be implemented, and the reasons why not. **c.** The Government should release background papers, studies and all other material that can be appropriately released along with this report.	**Not implemented** (as at March 31, 2004). There has been no progress in the past year.
Cross-Government (Information Technology Security)		
1996	**CR7.** The Government address the concerns raised in Chapter 4 of the Spring 1996 Report, being recommendations regarding the need for: security policies and procedures found at paragraphs 4.31; 4.32; 4.33; better accountability for security found at paragraphs 4.42; 4.43; 4.44; staff security awareness found at paragraphs 4.51; 4.52; 4.53; an IT security assessment found at paragraph 4.61; strengthening controls to protect the confidentiality and integrity of data found at paragraphs 4.70; 4.71; 4.72; 4.73; and approved and tested contingency plans found at paragraphs 4.84; 4.85; and 4.86.	**Partially implemented** (as at August 31, 2002). Some agencies have made progress on this recommendation, but more work is required. We plan to follow up this recommendation in 2005.
2002	PAC concurs: 18-5, that government agencies should continue to monitor their security policies and procedures to ensure that they meet the needs of the agency and meet or exceed minimum standards.	**Partially implemented** (as at August 31, 2002). Some agencies have made progress on this recommendation, but more work is required. We plan to follow up this recommendation in 2005.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 18-9, that government agencies should ensure that they have written policies and procedures for revoking employee access to information when their employment ends.	**Partially implemented** (as at August 31, 2002). Some agencies have made progress on this recommendation, but more work is required. We plan to follow up this recommendation in 2005.
2002	PAC concurs: 18-10, that government agencies should determine their physical security needs and assess the adequacy of their security measures.	**Partially implemented** (as at August 31, 2002). Some agencies have made progress on this recommendation, but more work is required. We plan to follow up this recommendation in 2005.
2002	PAC concurs: 18-12, that government agencies should ensure their service contracts include requirements for security and confidentiality.	**Partially implemented** (as at August 31, 2002). Some agencies have made progress on this recommendation, but more work is required. We plan to follow up this recommendation in 2005.
2002	PAC concurs: 18-17, that government agencies should specify which systems are critical to the mission of the agency.	**Partially implemented** (as at August 31, 2002). There has been some progress on this recommendation, but more is required. We plan to follow up this recommendation in 2005.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	**CR9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at December 31, 2003). Plans have consistent estimates of inflation except for SaskTel Pension Plan. No progress during the year.
1999	PAC concurs: 10.29 Pension plans' statements of investment objectives should include a clear assessment of the risk level acceptable to plan members and the Government. Pension plans' investment objectives should be based on the risk level acceptable to plan members and the Government.	**Partially implemented** (as at December 31, 2003). Pension plans' statements of investment objectives continue to generally improve.
1999	PAC concurs: 10.63 The Government should continue to improve the content of its pension plans' annual reports.	**Partially implemented** (as at December 31, 2003). Pension plans continue to improve the content of their annual reports, but more work is needed. For more information see the related chapter in this report.
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at December 31, 2003). Pension plans still need to improve their annual reports. The Government has not yet done a study to decide what type of information pension plan's annual reports should provide. For more information see the related chapter in this report.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 8-1, that all pension plans should document their process for selecting investment managers.	**Partially implemented** (as at December 31, 2003) Plans have not yet fully documented their processes for selecting investment managers.
2002	PAC concurs: 8-7, that pension plans should verify investment managers' compliance reports.	**Partially implemented** (as at December 31, 2003). All pension plans either have processes in place or are in the process of putting processes in place.
2002	PAC concurs: 8-1, that the Pension Plans should establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the law, or alternatively, the Pension Plans should seek changes to the law.	**Not implemented** (as at March 31, 2004). Teachers' Superannuation Commission amended its legislation. Other plans do not as yet have adequate rules and procedures to address this recommendation.
Cross-Government (Key processes to plan)		
2002	PAC concurs: 1A-1, that the Government and its agencies should consider the processes to plan outlined in this chapter when they develop or revise their long-term plans. Your committee notes that the Government has made progress towards complying with this recommendation.	**Partially implemented** (as at March 31, 2004). Government departments have implemented processes to plan that cover most recommended planning processes.
Department of Community Resources and Employment		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department [of Community Resources and Employment] should evaluate the effects of case planning.	**Not implemented** (as at March 31, 2004). The Department does not yet evaluate the effect of case planning.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 8-1 We recommend the Department [of Community Resources and Employment] should improve its records and document its procedures to ensure single parents receiving social assistance pursue child support.	**Not implemented** (as at March 31, 2003).
1999	PAC concurs: 8-3 We recommend that the Department [of Community Resources and Employment] should ensure that community based organizations (CBOs) submit financial reports to the Department and submit them on time as required.	**Partially implemented** (as at March 31, 2003). Several CBOs still do not submit financial reports to the Department on time as required.
2002	PAC concurs: 6-1, that the Department of Community Resources and Employment should issue timely internal audit reports.	**Not implemented** (as at March 31, 2003).
2002	PAC concurs: 6-2, that the Department of Community Resources and Employment should conduct adequate annual reviews to verify that only eligible recipients receive assistance and that they receive the correct amount of assistance.	**Not implemented** (as at March 31, 2003).
Department of Environment		
1999	PAC concurs: 14.21 The Department [of Environment & Resource Management] should define and document its operational and compliance reporting requirements.	**Not implemented** (as at March 31, 2003). No progress in the last year.
2002	PAC concurs: 10-1 that the Operator Certification Board should establish adequate rules and procedures to ensure it records all the revenue it receives.	**Not implemented** (as at March 31, 2003). No progress in the last year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 10-2, that the Department of Environment and Resources Management should improve its rules and procedures for preparing and reporting on its prevention program.	**Not implemented** (as at March 31, 2003). The Department has prepared an internal report on education and prevention activities for the 2002 fire season.
2002	PAC concurs: 10-3 that the Department of Environment and Resource Management should prepare a complete record of the values at risks in the forest and update that record regularly.	**Partially implemented** (as at March 31, 2003). The Department has begun preparing a complete record of the values at risk in the forest.
2002	PAC concurs: 10-4 that the Department of Environment and Resource Management should ensure it has suitable infrastructure for detection and suppression of forest fires.	**Partially implemented** (as at March 31, 2003). As at March 31, 2003, the Department was reviewing its infrastructure needs.
2003	PAC concurs: 14-1 that the Department of Environment and Resource Management should ensure staff follow the Department's established rules and procedures to control the Department's capital assets; and describe the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks of the key capital assets in its annual report.	**Not implemented** (as at March 31, 2003).
2003	PAC concurs: 14-2 that the Department of Environment and Resource Management should prepare a complete written information technology contingency plan based on a risk analysis and test that plan to ensure that it works. Your committee reports that the Department of Environment and Resource Management is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 14-3 that the Department of Environment and Resource Management should prepare a report on the operations of its special purpose funds and make that report public.	**Partially implemented** (as at March 31, 2003). The Department now provides some information and unaudited financial statements of its special purpose funds in its annual report.
Department of Government Relations and Aboriginal Affairs		
1999	**CR67.** In consideration of recommendation 10-2, concerning the inability of the Auditor's Office to discharge its duty with respect to the First Nations Fund, your committee noted that there had been no progress towards resolution of this issue since it was first raised in Chapter 9 of the Spring 1998 Report of the Provincial Auditors (see above). After careful consideration of the issues surrounding this dispute, your Committee came to the conclusion that legislative changes are necessary. Therefore, your Committee recommends the following to the Legislative Assembly: That the Public Accounts Committee recommend that Legislation be amended to clarify the responsibilities of the trustees of the First Nations Fund and to have the fund audited in accordance with the requirements of the Provincial Auditor.	**Not implemented** (as at March 31, 2003). In June 2002, the Government entered into a new gaming framework agreement with the Federation of Saskatchewan Indian Nations. This agreement includes provision for the establishment of a First Nations Trust, in replacement of the First Nations Fund. The accompanying Trust Indenture outlines a number of accountability measures that must be adhered to that were not included in the legislation. In addition, a set of process guidelines has been developed that form the foundation for the Government to implement the necessary supervisory role. These guidelines have been reviewed by the Provincial Auditor's office, and once fully implemented, will satisfy concerns with respect to accountability for money paid to the Trust. The Department is currently in the process of implementing these guidelines.
2003	PAC concurs: 8A-1 that the Department of Intergovernmental and Aboriginal Affairs should supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with the provincial legislation. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). Limited progress towards complying with the recommendation made. On August 1, 2003, *The Saskatchewan Gaming Corporation Act* was changed and the Fund will be wound-up after the close of the 2003-04 fiscal year.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 8A-2 that the Trustees should establish rules and procedures to ensure that the First Nations only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act*. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). Since 2003, the Trustees of First Nations Fund have refused us access to the Fund's records.
2003	PAC concurs: 8A-3 that the Trustees should establish rules and procedures to ensure that the recipient organizations only use the money received from the Traustees for the purposes described in *The Saskatchewan Gaming Corporation Act* and the Framework Agreement. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). Since 2003, the Trustees of First Nations Fund have refused us access to the Fund's records.
2003	PAC concurs: 8A-4 that the Trustees should ensure that all payments comply with the law. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). Since 2003, the Trustees of First Nations Fund have refused us access to the Fund's records.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 8A-5 that the Trustees should prepare an annual report that includes: · The Fund's audited financial statements; · The Fund's goals and objectives; · The Fund's planned and actual performance; · The Fund's risks and how the Trustees are managing those risks; and · A list of persons and organizations who have received money from the Fund and the amounts each person and organization received. Your committee reports that the Department of Government Relations and Aboriginal Affairs is making progress towards complying with the recommendation.	**Partially implemented** (as at April 15, 2004). For the first time, an annual report was prepared by the Trustees of the First Nations Fund for the 2002-03 fiscal year. This report includes audited financial statements and a list of payees.
Department of Health		
1997	**CR36.** The Deputy Minister of Health should approve in writing the rules and procedures for internal financial reports.	**Partially implemented** (as at March 31, 2004).
2002	PAC concurs: 1C-2, that the Department of Health; ensure its capital project agreements with RHAs describe the process of verifying expected performance; ensure it requests and receives adequate and timely performance information on capital construction projects; and ensure it determines whether such performance information is reliable.	**Not implemented** (as at March 31, 2004).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	**CR5.** The Standing Committee on Public Accounts recommends that the Department of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long term (e.g. 10 years or more) for the highest provincial health needs.	**Partially implemented** (as at March 31, 2002). The Department has started to determine priority health needs, but priorities vary from year to year.
2002	PAC concurs: 1E-2, that the Department of Health should monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status. Your committee reports that progress has been made towards complying with this recommendation.	**Partially implemented** (as at March 31, 2002). The Department has increased its capacity to monitor and report on the achievement of its objectives.
2002	PAC concurs: 2B-1, that the Department of Health should establish and communicate a plan to manage risks for capital construction projects and further, that the Department's plan to manage risks should clarify the accountability of the Department and RHAs to: identify, assess, and monitor risks; and act to reduce risks. Your committee reports that progress has been made towards complying with this recommendation.	**Partially implemented** (as at March 31, 2004). The Department's Annual Accountability document provides some guidance to RHAs for capital construction projects.
2002	PAC concurs: 2D-1, that boards of Regional Health Authorities (RHAs) should improve the relevance of financial and program information they receive by requesting: 1). timely reports. Boards should request that they receive reports as soon as possible after the end of the reporting period, preferably within 30 days, and at least one week before meetings; 2). reports that describe progress towards goal and objectives. Boards should continue their efforts to define	**Partially implemented** (as at March 31, 2002). The timeliness, relevance and reliability of reports to boards of RHAs has improved somewhat but more needs to be done.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	performance measures and should focus their efforts on defining a limited set of key measures that monitor progress toward the board's most critical objectives; and 3). reports that help them look ahead. Reports should include projections or forecasts (e.g., of results, service delivery volumes, staffing levels).	
2002	PAC concurs: 2D-2, that boards of RHAs should improve the reliability of financial and program information they receive by ensuring: reports include information about the financial position and program effectiveness of significant affiliates; reports disclose significant assumptions used in preparing projections or forecasts; and RHAs standardize the way they collect and safeguard information.	**Partially implemented** (as at March 31, 2002). Some improvements have been made to improve the reliability of financial and program information but more improvements are needed.
2002	PAC concurs: 6D-1, that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2004). Capital equipment plans are improving but still do not contain all key elements of good plans.
Department of Justice		
1999	PAC concurs: 21.28 The Department [of Justice] should base its contingency plan on an analysis of the risks and the importance of each program and service. 21.29 The Department [of Justice] should test and approve its contingency plan and then store it in a safe place.	**Partially implemented** (as at March 31, 2003). The Department has identified its key IT information systems and has taken steps for some IT systems to ensure computer equipment and facilities would be available if needed.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**CR65.** That the Department of Justice should review its procedures for collecting fines and further, that procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.	**Partially implemented** (as at March 31, 2003). The Department implemented a pilot project in one of the Provincial Court centres during the 2002-03 fiscal year. Information on previous unpaid fines is presented to the Judge for consideration, prior to sentencing. The Project will be evaluated in order to determine the value of providing this information to the Court. Once the evaluation is complete, the Department will determine if the project should be expanded to other Provincial Court Centres.
2002	PAC concurs: 9-1, that the Department of Justice should: follow its established procedures for recording tickets distributed to law enforcement agencies; and strengthen its procedures to ensure that the Department of Justice records tickets issued by law enforcement agencies. Your committee reports that progress has been made towards complying with this recommendation.	**Partially implemented** (as at March 31, 2004). The Department has improved its recording of distributed tickets to law enforcement agencies.
Department of Learning		
1999	PAC concurs: 11.62 The [Regional] Colleges' internal reports should show the cost of services and activities, whether the services provided achieved the intended outcomes, and the degree of compliance with the law and other authorities.	**Partially implemented** (as at June 30, 2003). The Regional Colleges internal reports track the cost of services and activities. The Colleges continue to make progress on improving performance measurement and reporting. At June 30, 2003, the Colleges continued to work with the Department to identify key performance measures and develop systems to track information on them. College officials expect to use these measures to assist them in managing the Colleges' achievement of their intended outcomes and to report publicly the Colleges' performance.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**CR59.** In consideration of the recommendation made at paragraphs 18.21, 18.22, 18.23 and 18.24, concerning the reporting responsibilities and expectations the Department of Learning has for school divisions under Section 282 of the *Education Act, 1995*, your Committee recommends the following to the Legislative Assembly: The Department of Learning should continue working with the locally elected school boards and other stakeholders to improve public accountability of school divisions with respect to the goals of education.	**Partially implemented** (as at March 31, 2004). The Department continues to work with school divisions to improve public accountability with respect to the goals of education recognizing the mandated role of the school divisions and their current public reporting. The Department offers a voluntary program to school divisions that helps them improve their performance management and reporting. School divisions are invited to participate in provincial data collection of student learning outcomes in mathematics (to date) and are provided with division- and school-specific data for reporting and improvement purposes. Over 60 school divisions representing over 80 percent of the student population are currently participating. Implementation of a new Department student data system increases capacity of school divisions to identify and track student enrolment, movement and retention, and to work with partners to provide integrated programs and supports that will assist young people to stay in school and to return to school. School divisions participated in the development of the Learning sector plan.
1999	**CR60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Partially implemented** (as at March 31, 2004). School divisions implemented their new accounting and reporting manual effective January 1, 2002. Implementation of this new manual moves school division financial reporting closer to recommended CICA standards. The Department continues to work with the Saskatchewan Association of School Business Officers to improve on the financial reporting standards and full compliance.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**CR68.** The Department of Learning should verify critical information on student loan applications.	**Partially implemented** (as at March 31, 2003). The Department needs to improve how it verifies certain critical information on student loan applications. The Department is in the process of developing a new system that is intended to improve the verification of information from students. This system is scheduled for implementation in 2004.
2002	PAC concurs: 4B-1 that the Department of Learning should improve how it documents its use of information about resources in its curriculum maintenance processes.	**Partially implemented** (as at March 31, 2004). The curriculum development units of the Department work through regional office personnel to determine available resources within school divisions for supporting particular curriculum renewal projects. Each project area documents analysis and use of information about resources. In addition, a curriculum renewal policies and procedures manual is being drafted to support documentation and guide future curriculum renewal processes.
Board of Internal Economy		
2003	**CR1.** The Standing Committee on Public Accounts recommends to the Assembly that those chapters of the Provincial Auditor's Reports dealing with the Board of Internal Economy be referred to the Board for its review and consideration.	**Not implemented** (as at March 31, 2004).
Information Technology Office		
2002	PAC concurs: 9-2, that the Government should establish minimum policies over its shared systems and ensure that adequate policies are developed and implemented, distributed and monitored for compliance.	**Partially implemented** (as at March 31, 2004). The Information Technology Office has created draft security policies. Our Office will follow up on this recommendation in 2004.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Liquor and Gaming Authority		
1999	PAC concurs: 9-2 We continue to recommend the [Liquor and Gaming] Authority should update its written contingency plan and test the plan.	**Partially implemented** (as at March 31, 2003). The Authority made no progress on this matter in 2003. The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-1 that the Liquor and Gaming Authority should ensure that SIGA's [Saskatchewan Indian and Gaming Authority] Board prepares and communicates its long term strategic direction to management; and that SIGA prepares and submits for approval a complete business and financial plan setting out performance targets. Your committee reports that the Liquor and Gaming Authority and SIGA are making progress towards complying with the recommendation. It is the committee's expectation that compliance will be achieved by January 2004.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-4 that the Liquor and Gaming Authority should frequently audit SIGA's operations to ensure that SIGA complies with the Framework and Casino Operating Agreements; and that SIGA incurs and deducts only reasonable expenses from public money. Your committee reports that the Liquor and Gaming Authority and SIGA are making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6A-6 that the Liquor and Gaming Authority should ensure inspections/audits are completed as planned or document why the plan was changed. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-7 that the Liquor and Gaming Authority should document procedures for reporting and following up its audit/inspection findings with SIGA. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-8 that the Liquor and Gaming Authority should receive and formally approve SIGA's casino operating policies and procedures on a timely basis. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-9 that the Liquor and Gaming Authority should receive and approve SIGA's budget on a timely basis and have procedures for approving changes to the budget. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6A-13 that the Liquor and Gaming Authority should establish standards for independent testing laboratories to use when testing slot machines and VLTs; and to ensure that the laboratories use those standards to test the Liquor and Gaming Authority's slot machines and VLTs. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6A-14 that the Liquor and Gaming Authority should establish rules and procedures to periodically monitor the actual house advantage for table games. Your committee reports that the Liquor and Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-2 that the Board of Directors of the Saskatchewan Indian Gaming Authority should document and communicate to its senior management the goals and objectives of SIGA.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-3 that the Saskatchewan Indian Gaming Authority should prepare a complete business and financial plan for its operations. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6B-4 that the Board of Directors of the Saskatchewan Indian Gaming Authority should define its operational and financial information needs and communicate those needs to management for regular reporting. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-5 that the Saskatchewan Indian Gaming Authority should establish complete written policies for management and staff pay, benefits, development, and performance evaluation. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-6 that the Saskatchewan Indian Gaming Authority should establish policies and procedures for its marketing and promotion activities. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-7 that the Saskatchewan Indian Gaming Authority should ensure that the staff complies with the sponsorship policy. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6B-8 that the Saskatchewan Indian Gaming Authority should establish rules and procedures to ensure all staff comply with its delegation of authority policy. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-9 that the Saskatchewan Indian Gaming Authority should establish accounting policies and procedures to ensure that its books and records reflect its business operations and there is support for all transactions. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-10 that the Saskatchewan Indian Gaming Authority should properly segregate the duties of its employees. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
2003	PAC concurs: 6B-11 that the Saskatchewan Indian Gaming Authority should periodically monitor the actual house advantage for tables games to ensure games are being played in accordance with approved rules; and establish appropriate rules and procedures to monitor expected and revenue of table games and communicate these to casino staff. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2003	PAC concurs: 6B-13 that the Saskatchewan Indian Gaming Authority should comply with its annual report policy. Your committee reports that the Saskatchewan Indian Gaming Authority is making progress towards complying with the recommendation.	**Not implemented** (as at March 31, 2003). The audit for the year ended March 2004 is not yet complete.
Liquor Board Superannuation Commission		
2003	PAC concurs: 15-1 that the Liquor Board Superannuation Commission should establish rules and procedures to verify the investment manager's compliance reports.	**Not implemented** (as at March 31, 2004).
Saskatchewan Crop Insurance Corporation		
2002	PAC concurs: 4-1, that Saskatchewan Crop Insurance Corporation's audit division should report directly to the Board or a committee of the Board on the adequacy of rules and procedures that management uses to adjust claims; that the Board should review and approve the audit division's work plan and resources; and further that the Board needs to receive regular reports on the examinations and investigations carried out by the audit division including the work done on the adequacy of the SCIC's rules and procedures to adjust claims.	**Partially implemented** (as at March 31, 2003). The Saskatchewan Crop Insurance Corporation's Audit Division reports directly to the Board on its activities. However, there is no evidence that the Board formally reviewed and approved the Audit Division's work plan.
2002	PAC concurs: 4-2, that the Saskatchewan Crop Insurance Corporation's management needs to provide better information to the Board on operating divisions' plans and performance reports on how divisions are doing compared to what they planned.	**Partially implemented** (as at March 31, 2003). Saskatchewan Crop Insurance Corporation continues to work to improve its performance reporting.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 4-3, that the Saskatchewan Crop Insurance Corporation should improve the guidance it gives to the claim adjusters to enable them to identify suspicious claims; and further that the Saskatchewan Crop Insurance Corporation should also establish written rules and procedures for investigating suspicious claims.	**Partially implemented** (as at March 31, 2003). Saskatchewan Crop Insurance Corporation has documented guidance for identifying suspicious claims. However, the Corporation has not yet established processes for investigating suspicious claims.
2002	PAC concurs: 4-4, that the Saskatchewan Crop Insurance Corporation should ensure that adjusters leave clear evidence of work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2003). Saskatchewan Crop Insurance Corporation continues to improve the documentation of its adjusters' work.
2002	PAC concurs: 4-5, that the Saskatchewan Crop Insurance Corporation should ensure that auditors leave clear evidence of the work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2003). The Audit Division plan indicates the number and type of claims that will be audited and when.
Saskatchewan Property Management Corporation (including Government e-mail system)		
2002	PAC concurs: 9-1, that the Saskatchewan Property Management Corporation should set specific performance measures for GEMS and report on whether it met those objectives; and further that SPMC should communicate the overall objectives and the performance measures to all GEMS users.	**Not implemented** (as at March 31, 2001). For recommendations related to GEMS, no work has been done by our Office over the past year. GEMS is proposed to undergo significant changes. Our Office will follow up this recommendation in 2004.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
2002	PAC concurs: 9-3, that SPMC should develop and test a complete disaster recovery plan for GEMS. This would include a complete threat and risk assessment to ensure the measures taken to ensure the availability of GEMS are appropriate and cost effective.	**Partially implemented** (as at March 31, 2002). For recommendations related to GEMS, no work has been done by our Office over the past year. GEMS is proposed to undergo significant changes. The Government has put in a new network and SPMC has done work on its disaster recovery plan. Our Office will follow up this recommendation in 2004.
2002	PAC concurs: 9-4, that the Government should evaluate the requirements of *The Archives Act* and develop processes to help departments and agencies comply with the requirements of *The Archives Act* for e-mail.	**Not implemented** (as at October 31, 2003). The Saskatchewan Archives Board has drafted a policy. Our Office will follow up this recommendation in 2004.
2003	PAC concurs: 16-1 that the Saskatchewan Property Management Corporation should approve a written and tested disaster recovery plan. Your committee reports that the Saskatchewan Property Management Corporation is making progress towards complying with the recommendation.	**Partially implemented** (as at March 31, 2003). During 2002-03, SPMC developed a disaster recovery plan but had not tested or approved the plan.

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Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1)The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1)Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Office.

2001, c.32, s.13.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1)On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to an examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to an audit examination under *The Provincial Auditor Act* at December 31, 2003.

This Appendix includes the status of those audits at March 31, 2004. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2003 Rpt V2
Departments and Secretariats:			
Department of Agriculture, Food and Rural Revitalization	March 31	Complete	Yes/2003 Rpt V3
Department of Corrections and Public Safety	March 31	Complete	No
Department of Culture, Youth and Recreation	March 31	Complete	Yes/2003 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/Note 4
Department of Environment	March 31	Complete	Yes/2004 Rpt V1
Department of Finance	March 31	Complete	Yes/2003 Rpt V2 & 3, 2004 Rpt V1
Department of Government Relations and Aboriginal Affairs	March 31	Complete	Yes/2004 Rpt V1
Department of Health	March 31	Complete	Yes/2004Rpt V1
Department of Highways and Transportation	March 31	Complete	Yes/2004 Rpt V1
Department of Justice	March 31	Complete	Yes/2003 Rpt V3
Department of Labour	March 31	Complete	Yes/2003 Rpt V3
Department of Learning	March 31	Complete	Yes/2004 Rpt V1
Department of Community Resources and Employment	March 31	Complete	Yes/2004 Rpt V1
Executive Council	March 31	Complete	No
Women's Secretariat	March 31	Complete	No
Crown agencies:			
101000605 Saskatchewan Ltd.	December 31	Note 2	No
101000607 Saskatchewan Ltd.	December 31	Note 2	No
101005716 Saskatchewan Ltd.	December 31	Complete	No
101027596 Saskatchewan Ltd.	December 31	Complete	No
101042684 Saskatchewan Ltd.	December 31, 2004	Note 3	
101047589 Saskatchewan Ltd.	March 31, 2004	Note 3	
101047593 Saskatchewan Ltd.	March 31, 2004	Note 3	
3339807 Canada Ltd.	December 31	Note 2	No
3364381 Canada Ltd.	December 31	Note 2	No
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Complete	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	Yes/2003 Rpt V3
Avonlea Holding, Inc.	December 31	Note 2	No

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Battleford International, Inc.	December 31	Note 2	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Business Watch International Inc.	December 31	Complete	No
Business Watch International Inc. (US)	December 31	Note 2	No
Canodev Research Inc.	July 31	Complete	No
Carlton Trail Regional College	June 30	Complete	Yes/2003 Rpt V3
Carlyle Holding, Inc.	December 31	Note 2	No
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Foods Inc.	December 31	Complete	No
CIC FTLP Holdings Inc.	December 31	Complete	No
CIC FTMI Holdings Inc.	December 31	Complete	No
CIC OSB Products Inc.	December 31	Complete	No
CIC Pulp Ltd.	December 31	Complete	No
CIC PVF Holdings Inc.	December 31	Complete	No
CIC Swine Genetics Holdings Inc.	December 31	Delayed	
CIC Swine Genetics Inc.	December 31	Delayed	
CIC Swine Genetics (NL) B.V.	December 31	Delayed	
CIC WLSVF Holdings Inc.	December 31	Delayed	
Coachman Insurance Company	December 31	Complete	Yes/2004 Rpt V1
Community Initiatives Fund	March 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2004 Rpt V1
Cumberland Regional College	June 30	Complete	Yes/2003 Rpt V3
Cypress Hills Regional College	June 30	Rotational	
Cypress Hills Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
DirectWest Publishing Partnership	December 31	Complete	No
Dundurn Holding, Inc.	December 31	Note 2	No
Education Infrastructure Financing Corporation	March 31	Complete	Yes/2003 Rpt V3
Esterhazy Holding, Inc.	December 31	Note 2	No
First Nations Fund	March 31	Denied Access	Yes/2003 Rpt V3
Five Hills Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Foam Lake Holding, Inc.	December 31	Note 2	No
Genex Swine Group Inc.	September 30	Complete	No
Government House Foundation	March 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Heritage Gas Corporation	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 2	No

Appendix 2

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 2	No
Information Services Corporation of Saskatchewan	December 31	Complete	Yes/2004 Rpt V1
Insurance Company of Prince Edward Island	December 31	Complete	Yes/2004 Rpt V1
Investment Saskatchewan Inc.	December 31	Complete	No
Jan Lake Holding, Inc.	December 31	Note 2	No
Katepwa Lake Holding, Inc.	December 31	Note 2	No
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2003 Rpt V3
Liquor Board Superannuation Commission, The	December 31	Complete	Yes/2004 Rpt V1
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Melfort Holding, Inc.	December 31	Note 2	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2004 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Inc	December 31	Note 2	No
Navigata Holding, Inc.	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 2	No
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	Yes/2003 Rpt V3
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2003 Rpt V3
Outlook Holding, Inc.	December 31	Note 2	No
Parkland Regional College	June 30	Rotational	
PCF Investments Ltd.	December 31	Complete	No
Pleasantdale Holding, Inc.	December 31	Note 2	No
Power Corporation Superannuation Board	December 31	Complete	Yes/2004 Rpt V1
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Prairie North Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2004 Rpt V1
Public Service Superannuation Board	March 31	Complete	Yes/2004 Rpt V1
Qu'Appelle Holding, Inc.	December 31	Note 2	No
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Retx, Inc.	December 31	Complete	No
Rosetown Holding, Inc.	December 31	Note 2	No
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Gaming Corporation	March 31	Complete	No
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2003 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Property Management Corporation	March 31	Complete	Yes/2003 Rpt V3
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Limited	December 31	Note 2	No
Saskatchewan Trade and Export Partnership Inc.	March 31	Complete	No

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Saskatchewan Transportation Company	December 31	Complete	Yes/2003 Rpt V3
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	Yes/2003 Rpt V3
Saskatoon 2 Management Ltd.	December 31	Note 2	No
Saskatoon 2 Properties Limited Partnership	December 31	Note 2	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	Yes/2004 Rpt V1
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd. (aka 6019021 Canada Inc.)	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Data Exchange Inc.	December 31	Note 2	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	No
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	No
SaskTel Holding (U.K.) Inc.	December 31	Note 2	No
SaskTel International Consulting, Inc.	December 31	Note 2	No
SaskTel Investments Inc.	December 31	Note 2	No
SaskTel New Media Fund Inc.	December 31	Note 2	No
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	Yes/2004 Rpt V1
Shellbrook Holding, Inc.	December 31	Note 2	No
Southeast Regional College	June 30	Rotational	
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
STI Communications Pty Limited	December 31	Note 2	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2003 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2004 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Tisdale Holding, Inc.	December 31	Note 2	No
TransGas Limited	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Unity Holding, Inc.	December 31	Note 2	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holdings Inc.	December 31	Note 2	No
Wadena Holdings Inc.	December 31	Note 2	No
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2004 Rpt V1
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2004 Rpt V1
WTC Investments Ltd.	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2003 Rpt V3
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources and Employment Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	Yes/2003 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	Yes/2003 Rpt V3
Forest Fire Contingency Fund	March 31	Complete	Yes/2003 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2003 Rpt V3
Highways Revolving Fund	March 31	Complete	No
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31, 2004	Note 3	
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2004 Rpt V1
Livestock Services Revolving Fund	March 31	Complete	No

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Navigata Pension Plan	December 31	Delayed	
Northern Revenue Sharing Trust Account	December 31	Complete	Yes/2004 Rpt V1
Office of the Rentalsman--Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31, 2004	Note 3	
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	Yes/2004 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2003 Rpt V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2003 Rpt V3
SAHO Core Dental Plan Fund	December 31	Delayed	
SAHO Disability Income Plan – CUPE Fund	December 31	Delayed	
SAHO Disability Income Plan – SEIU Fund	December 31	Delayed	
SAHO Disability Income Plan – General Fund	December 31	Delayed	
SAHO Disability Income Plan – SUN Fund	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	
SHO Out-of-scope Extended Health/ Enhanced Dental Fund	December 31	Delayed	
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Delayed	
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Snowmobile Fund	March 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2003 Rpt V3
Saskatchewan Telecommunications Pension Plan	December 31	Complete	Yes/2004 Rpt V1
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Delayed	Yes/2004 Rpt V1
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2003 Rpt V3
Chief Electoral Office	March 31	Complete	Yes/2004 Rpt V1
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina Pension Plan for Eligible Part-Time Employees	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	

Agency	Year end on or before December 31, 2003	Status at March 31, 2004[1]	Significant issues reported[2]
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Clinicians' Service-Side Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1999, the Department of Agriculture, Food and Rural Revitalization and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard public resources and to comply with legislative authorities.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2003, these entities did not carry out active operations.

Note 3: These agencies were created or became a crown agency after March 31, 2003. For these agencies, March 31, 2004 or December 31, 2004 is their first year-end. The status of the audits of these agencies will be provided in future reports.

Note 4: For 2004, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

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[1] "Complete" – the audit was complete at March 31, 2004.
"Delayed" – the audit was delayed.
"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2004 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.

"Yes/2003 Rpt V2" – significant issues were reported in our 2003 Report – Volume 2.
"Yes/2003 Rpt V3" – significant issues are reported in our 2003 Report – Volume 3.
"Yes/2004 Rpt V1" – significant issues were reported in our 2004 Report – Volume 1.

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Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources;
- the Government's compliance with legislative authorities; and
- the reliability of the Government's public performance reports.

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan to achieve its goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives reliably.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

Scope

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Conclusion

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

Limitations

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.